Exhibit A-1

KPMG

Sifco S.A.

Financial statements
December 31, 2012 and 2011

KPMG Auditores Independentes
April 2013
KPDS 58534

Contents

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Independent auditors' report on the financial statements

To the Directors and Shareholders of
Sifco S.A.
Jundiaí - São Paulo

We have audited the individual and consolidated financial statements of Sifco S.A ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2012 and the related statements of income and of comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the summary of the significant accounting practices and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free of material misstatement whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the individual and consolidated financial statements based on our audit. We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the individual and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for qualified opinion

As a describe in note 17, during the year ended December 31, 2012, the Company, based on the opinion of their legal advisors, recorded R$ 40,711 thousands in the Parent Company, and R$ 45,876 thousands in the Consolidated as other operating income resulting from the recognition of tax credits, which have not yet been homologated by tax authorities or are being claimed in lawsuits, and which were presented as a reduction to fiscal and labor obligation balances in non-current liabilities. These tax credits meet the definition of contingent gain, as their realization depends on future events and, therefore, their recognition in the statement of operations is not in accordance with CPC 25 Provisions, Contingent Liabilities and Contingent Assets. Accordingly, as at December 31, 2012, in the Parent Company, the balance of investments and non-current assets are increased by R$ 5,165 thousands, the balance of fiscal and labor obligations and non-current liabilities are decreased by R$ 40,711 thousands and the shareholders´ equity are increased by R$ 45,876 thousands; and, in the Consolidated, the balance of fiscal and labor obligations and non-current liabilities are decreased and the shareholders´ equity are increased by R$ 45,876 thousands. In addition, in the Parent Company, the equity in net income of subsidiaries and other operating income are increased by R$ 5,165 thousands and R$ 40,711 thousands, respectively, and the loss before tax and the loss for the year are increased by R$ 45,876 thousands for the year ended December 31, 2012; and in the Consolidated, the other operating income, the loss before tax and the loss for the year are increased by R$ 45,876 thousands for the year ended December 31, 2012.

Qualified opinion

In our opinion, except for the matter described in the paragraph “Basis for qualified opinion”, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Sifco S.A. as of December 31, 2012, and of its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Emphases

As of December 31, 2012, the Company holds a significant balance of receivables within non-current assets, in the amount of R$ 237,781 thousand in its consolidated financial statements, regarding transactions with companies that belonged to G Brasil before the restructuring of the group mentioned in Note 1. The recoverability of this balance is subject to the commercial terms and conditions described in Note 11. Our report is not qualified in relation to this matter.

The Company has significant transactions with related parties which terms and conditions are described in Note 23. The financial statements should be read by taking this fact into consideration. Our report is not qualified in relation to this matter.

São Paulo, April 15, 2013

KPMG Auditores Independentes
CRC 2SP014428/O-6

Moacyr Humberto Piacenti
Accountant CRC 1SP204757/O-9

Sifco S.A.

Balance sheets at December 31, 2012 and 2011

(In thousands of Reais)

		Consolidated		Parent company	
Assets	Note	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current assets					
Cash and cash equivalents	4	129,993	117,361	71,997	99,598
Other interest earning bank deposits	5	22,918	48,686	20,874	40,198
Trade accounts receivable	6	116,642	201,872	45,014	112,306
Inventories	7	94,038	99,209	41,143	52,682
Recoverable taxes	8	42,076	34,821	8,476	13,269
Advances to suppliers	9	12,521	7,478	4,034	2,809
Prepaid expenses		477	969	288	205
Derivative financial instruments		-	16	-	16
Dividends receivable		-	-	1,993	5
Other assets	12	16,740	4,977	16,412	4,345
Total current assets		435,405	515,389	210,231	325,433
Non-current assets					
Long-term assets					
Other interest earning bank depos	5	840	578	592	425
Inventories	7	4,055	3,182	-	-
Derivative financial instruments		5,829	6,233	5,829	6,233
Recoverable taxes	8	41,634	43,010	5,407	5,774
Current account with related parti	23	32,965	301,945	123,120	269,364
Deferred tax assets	10	17,124	10,699	16,577	10,699
Amounts receivable	11	237,781	-	232,090	-
Other assets	12	107,611	92,457	92,532	81,613
		447,839	458,104	476,147	374,108
Investments	13	-	-	330,129	391,639
Investment property		3,000	-	3,000	-
Property, plant and equipment	14	604,185	532,398	196,086	159,496
Intangible assets		11,285	4,326	8,524	563
Total non-current assets		1,066,309	994,828	1,013,886	925,806
Total assets		1,501,714	1,510,217	1,224,117	1,251,239

		Consolidated		Parent company	
Liabilities	Note	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current liabilities					
Loans and financing	15	263,917	235,490	167,461	163,757
Suppliers	16	63,459	107,782	47,895	82,929
Provision for derivative financial instruments		46	2,084	-	1,078
Real estate credit note	24	12,825	13,233	-	-
Salaries and provision for vacation		20,796	25,498	13,656	17,690
Fiscal and labor obligations	17	172,576	96,414	159,934	88,704
Advances from clients	18	1,735	949	803	740
Current account with related parties	23	-	11,680	44,208	61,268
Dividends payable		2	2	-	-
Deferred revenue	22	13,331	13,600	13,331	13,600
Investment funds in credit rights	19	12,100	10,711	12,100	8,312
Other liabilities	25	14,315	17,937	8,851	14,767
Total current liabilities		575,102	535,380	468,239	452,845
Non-current liabilities					
Loans and financing	15	247,099	205,539	222,079	163,411
Provision for derivative financial instruments		90	201	-	11
Real estate credit note	24	20,306	33,131	-	-
Fiscal and labor obligations	17	381,291	377,299	280,978	299,023
Provisions	21	10,662	10,998	6,004	6,445
Deferred tax liabilities	10	20,347	18,165	-	-
Deferred revenue	22	103,012	117,657	103,012	117,657
Other liabilities	25	5,828	6,460	5,828	6,460
Total non-current liabilities		788,635	769,450	617,901	593,007
Shareholders' equity	26				
Capital		108,850	108,850	108,850	108,850
Treasury shares		(36,360)	(36,360)	(36,360)	(36,360)
Legal reserve		3,250	3,250	3,250	3,250
Profit retention reserves		71,561	71,561	71,561	71,561
Revaluation reserve		29,638	31,392	29,638	31,392
Equity valuation adjustments		25,438	28,010	25,438	28,010
Cumulated translation adjustment		2,634	(1,316)	2,634	(1,316)
Accumulated loss		(67,034)	-	(67,034)	-
Shareholders' equity attributable to controlling shareholders		137,977	205,387	137,977	205,387
Total liabilities		1,363,737	1,304,830	1,086,140	1,045,852
Total liabilities and shareholders' equity		1,501,714	1,510,217	1,224,117	1,251,239

See the accompanying notes to the financial statements.

Sifco S.A.

Statements of income

Years ended December 31, 2012 and 2011

(In thousands of Reais)

		Consolidated		Parent company	
	Note	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Revenues	27	855,882	1,071,495	486,610	933,367
Cost of products sold and services rendered		(698,109)	(896,355)	(395,760)	(782,146)
Gross margin		157,773	175,140	90,850	151,221
Commercial expenses		(20,905)	(19,679)	(6,488)	(15,682)
Administrative expenses		(71,872)	(58,331)	(41,482)	(62,008)
Other operating income (expenses)	28	(2,083)	(34,395)	19,360	(31,474)
Income (loss) before net financial income (expenses), equity income and taxes		62,913	62,735	62,240	42,057
Financial expenses	29	(180,516)	(128,529)	(130,453)	(114,649)
Financial income	29	57,642	83,151	52,260	79,180
Foreign exchange		(10,471)	(23,193)	(10,723)	(22,875)
(Losses) gains with derivative financial instruments		(4,365)	5,325	(4,357)	5,201
Net financial expenses		(137,710)	(63,246)	(93,273)	(53,143)
Equity in net income (loss) of subsidiary	13	-	-	(46,205)	8,396
Loss before taxes		(74,797)	(511)	(77,238)	(2,690)
Current tax	30	(976)	(1,586)	-	-
Deferred tax	30	4,413	1,220	5,878	1,813
Income and social contribution taxes	30	3,437	(366)	5,878	1,813
Loss for the year		(71,360)	(877)	(71,360)	(877)
Earnings (loss) per share		(0.6871)	(0.0168)	(0.6871)	(0.0168)
Earnings (loss) per common share - Basic and diluted (in R$)		(0.6871)	(0.0168)	(0.6871)	(0.0168)
Earnings (loss) per preferred share - Basic and diluted (in R$)		(0.6871)	(0.0168)	(0.6871)	(0.0168)

See the accompanying notes to the financial statements.

Sifco S.A.

Statements of comprehensive income

Years ended December 31, 2012 and 2011

(In thousands of Reais)

		Consolidated and Parent company	
	Note	**12/31/2012**	**12/31/2011**
Loss for the year		(71,360)	(877)
Other comprehensive income			
Exchange differences from translation of foreign operations	13	3,950	6,183
Total comprehensive (loss) income		(67,410)	5,306

See the accompanying notes to the financial statements.

Sifco S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2012 and 2011

(In thousands of Reais)

	Note	Capital	Legal reserve	Treasury shares	Profit retention reserves	Revaluation reserve - Own	Revaluation reserve - Subsidiaries	Equity valuation adjustment - Own	Equity valuation adjustment - Subsidiaries	Cumulated translation adjustment	Retained earnings (loss)	Total shareholders' equity
Balance at January 1, 2011		105,000	3,250	(36,360)	68,072	16,246	17,158	14,460	15,904	(7,499)	-	196,231
Income (loss) for the year		-	-	-	-	-	-	-	-	-	(877)	(877)
Other comprehensive income:												
Exchange differences from translation of foreign operations		-	-	-	-	-	-	-	-	6,183	-	6,183
Total comprehensive income		-	-	-	-	-	-	-	-	6,183	(877)	5,306
Contributions and distributions from and to shareholders												
Capital increase with transfer of the investment in BR Metals		3,850	-	-	-	-	-	-	-	-	-	3,850
Allocations:												
Realization of revaluation reserve and equity valuation adjustment in fixed assets		-	-	-	-	(1,812)	(200)	(1,480)	(874)	-	4,366	-
Transfer of retained earnings to profit reserve		-	-	-	3,489	-	-	-	-	-	(3,489)	-
Balance at December 31, 2011		108,850	3,250	(36,360)	71,561	14,434	16,958	12,980	15,030	(1,316)	-	205,387
Loss for the year		-	-	-	-	-	-	-	-	-	(71,360)	(71,360)
Other comprehensive income:												
Exchange differences from translation of foreign operations		-	-	-	-	-	-	-	-	3,950	-	3,950
Total other comprehensive income		-	-	-	-	-	-	-	-	3,950	(71,360)	(67,410)
Allocations:												
Realization of revaluation reserve and equity valuation adjustment in fixed assets		-	-	-	-	(1,434)	(320)	(2,354)	(218)	-	4,326	-
Balance at December 31, 2012		108,850	3,250	(36,360)	71,561	13,000	16,638	10,626	14,812	2,634	(67,034)	137,977

See the accompanying notes to the financial statements.

Sifco S.A.

Statements of cash flows

Years ended December 31, 2012 and 2011

(In thousands of Reais)

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Cash flow from operating activities				
Loss before taxes	(74,797)	(511)	(77,238)	(2,690)
Adjustments for:				
Depreciation	48,468	27,673	19,009	13,220
Amortization	1,981	961	537	391
Write-off of fixed assets	1,928	7,607	1,789	1,326
Equity in net income of subsidiaries	-	-	46,205	(8,396)
Interest with loans and financing	62,077	51,630	51,348	49,019
Interest with FIDC and discount of trade notes	7,722	-	4,944	-
Interest with current account payable	988	995	3,945	6,636
Interest with real estate credit bill	9,247	10,161	-	-
Restatement of taxes in installments	11,531	15,155	10,982	14,661
Restatement of provision for taxes	44,671	29,775	33,707	27,399
Updating of other assets (Eletrobrás credits and court-ordered debt payments - "precatórios")	(9,610)	(17,034)	(9,610)	(17,034)
Financial income with current account receivable	(25,612)	(43,198)	(22,701)	(42,478)
Financial income with amounts receivable	(4,101)	-	(4,101)	-
Foreign exchange on loans and other financial investments	17,629	26,853	15,181	26,301
Change in Investment funds in credit rights	(146)	1,662	(146)	1,662
Income from derivative instruments	4,365	(5,325)	4,357	(5,201)
Gain in the reduction of Refis IV	-	(4,476)	-	(4,108)
Other comprehensive income	-	6,183	-	-
	96,341	**108,111**	**78,208**	**60,708**
Changes in operating assets and liabilities				
Trade accounts receivable	83,567	(61,897)	67,292	(53,131)
Advances to suppliers	(2,921)	(946)	(1,225)	(1,404)
Inventories	(4,589)	18,338	1,945	10,711
Recoverable taxes	(5,838)	(8,343)	5,160	(6,821)
Dividends receivable	-	(5)	-	(5)
Prepaid expenses	(1,038)	1,958	(83)	(89)
Other assets	(11,545)	(11,196)	(12,550)	(12,510)
Judicial deposits	(603)	(929)	-	-
Suppliers	(32,127)	14,491	(22,084)	15,170
Advances from customers	882	353	63	182
Deferred revenue	(14,914)	131,257	(14,914)	131,257
Salaries and provision for vacation	(4,704)	(5,811)	(4,036)	690
Fiscal and labor obligations	23,731	58,626	8,496	53,859
Investment funds in credit rights	1,389	7,874	3,788	8,312
Other liabilities	(6,418)	8,326	(6,548)	11,945
Provisions	(336)	(2,331)	(441)	(1,046)
Other cash flows from operating activities				
Interest paid on loans	(71,494)	(42,961)	(60,228)	(39,381)
Interest paid with real estate credit bill	(7,480)	(9,302)	-	-
Income and social contribution taxes paid	(329)	(1,156)	-	-
Net cash provided by operating activities	**41,574**	**204,457**	**42,843**	**178,447**
Cash flow from investment activities				
Acquisition of property, plant and equipment	(101,611)	(58,835)	(47,794)	(45,173)
Acquisition of intangible assets	(8,774)	(221)	(8,498)	-
Investments in subsidiaries	-	7	(79)	(14,064)
Cash acquired from subsidiary BR Metals	-	8,967	-	-
Capital decrease in subsidiaries	-	-	30,440	-
Other interest earning bank deposits	19,208	(48,444)	19,306	(39,935)
Current account receivable from related parties	5,267	(125,634)	(146,329)	(121,953)
Receipts (payments) of derivative financial instruments	(6,026)	(4,471)	(5,026)	(3,859)
Cash flow from (invested in) investment activities	**(91,936)**	**(228,631)**	**(157,980)**	**(224,984)**
Cash flow from financing activities				
New loans and financing	580,635	436,829	345,154	394,740
Payments of financing	(498,528)	(391,272)	(253,672)	(378,146)
Current account payable from related parties	(3,869)	(20,050)	(3,943)	11,358
Payments of CCI	(15,000)	(6,250)	-	-
Cash from financing activities	**63,238**	**19,257**	**87,539**	**27,952**
Variation on cash in foreign investments	**(244)**	**2,307**		
Net (decrease) increase in cash and cash equivalents	12,632	(2,610)	(27,598)	(18,585)
Cash and cash equivalents at January 1	117,361	119,971	99,598	118,183
Cash and cash equivalents at the end of the period	**129,993**	**117,361**	**71,997**	**99,598**
Disclosure of non-cash transaction				
Transactions carried out against current account balances receivable or payabe with related parties				
BR Metals debt assumption against current account pay receivable	12,950	-	12,950	-
Capital increase in investee BR Metals with credits receivable	-	-	-	160,000
Settlement of dividends payable with balance receivable from G Brasil	-	3,617	-	3,617
Other assets (*Court-ordered debt payments receivable*) assigned o related parties against checking acc	-	(5,236)	-	(5,236)
Capital increase in the Company with the balance of investment in subsidiary BR Metals	-	-	-	3,850
Assignment of loan obtained from Dana and the parent companies of G Brasil and Brascom	-	96,953	-	96,953
Debt assumption of G Brasil against current account receivable	35,203	-	35,203	-
Debt assumption of Sifco Intercontinetal against current account receivable	5,152	-	5,152	-
Capital increase in subsidiary Sifco Intercontinental with credits receivable	-	-	13,094	-
Inventory transfer of tools for fixed assets (molds and tools)	9,594	-	9,594	-
Transfer of investment property of G Brasil and KG against current account receivable	6,500	-	3,000	-
Transfer of other assets of G Brasil against current account receivable	826	-	826	-
Transfer of current account receivable against other assets	237,781	-	232,090	-
	308,006	95,334	311,909	259,184
Proposed dividends and not received	-	-	1,988	1,988

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais, unless otherwise indicated)

1 Operations

Sifco S.A. ("Company" or "Sifco") is a closely-held company domiciled in Brazil, with headquarters in Jundiaí in the state of São Paulo. The Company is engaged in the forging and machining of parts for the automotive industry in both the local and foreign markets. The Company's industrial park is composed of two plants in the state of São Paulo, one in Jundiaí (forging and machining) and the other in Campinas (forging). Sifco indirectly controls, through Sifco Intercontinental Co. Ltd. ("Sifco Intercontinental"), Westport Axle Corporation ("Westport"), which is located in Louisville, Kentucky, and has three other units, one in Avon Lake, Ohio, and the other one in Roanoke, Virginia; and Allentown, Pennsylvania, all in the United States of America, and is engaged in the assembling of front and rear suspension modules for commercial vehicles, and the storage and just-in-time delivery of components to U.S. customers. Sifco also controls BR Metals Fundições Ltda. ("BR Metals"), which is primarily engaged in the manufacture of casted parts for the use in vehicles, trucks, tractors and other machinery for the construction and mining industry. BR Metals has a strong presence in the wind industry, in which it produces the main structural components of the wind turbines (bed plate and hub). The industrial park is comprised of two plants, one in Barra do Piraí, State of Rio de Janeiro, and the other one in Matozinhos, State of Minas Gerais.

On October 27, 2010, Sifco organized SF, a closely-held company whose business purpose is the production and trading of forged and machined products, the rendering of business consulting and advisory, and technical services, and the management, monitoring, assembly, and development of production lines and rental of own assets. The Company is a direct subsidiary of Sifco, which did not represent any change in the consolidated financial position.

In February 2011, Sifco and Dana Indústrias Ltda. ("Dana"), an indirect subsidiary of Dana Holding Corporation ("Dana Corporation"), formed a strategic alliance by means of a 10-year supply contract in which Sifco is responsible for the production of forged and machined products, such as beams, knuckles, and steering and connection arms, and Dana is responsible for trading and final assembly of these products.

The above-mentioned alliance is in line with the Company's strategic plan of allying with an enterprise with global presence, engineering capabilities and the necessary capital to meet the growing demand in global automotive markets. Moreover, Sifco and Dana have been seeking opportunities to improve production processes and reduce costs, maximizing their synergies in order to maintain product competitiveness.

Following its strategic plan, Sifco has been focusing on its other business segments, using new technologies to add value to the transmission, agricultural machinery, and infra-structure and steering components.

On October 1, 2011, by means of the private instrument for amendment of the articles of association, G Brasil transferred to Sifco all the shares it owned from BR Metals. This transaction was accounted for as an acquisition of entity under common control.

On July 27, 2012, the company created Sifco Capital Luxembourg and on August 20, 2012,

through the minutes of Shareholders' Meeting for Incorporation, the partial spin-off of Tubrasil Sifco Ventures e Participações Ltda. ("Tubrasil Sifco") was carried out, establishing Tubrasil Sifco Campinas S.A.

Management is acting strongly on improving production processes and on the adequacy of its industrial park, focusing on the optimization of equipment and personnel, with a productivity increase, as well as a decrease in its fixed and variable production costs. In order to speed up the recovery process, Management has promoted the restructuring of the management team and is seeking a strategic repositioning of markets and products. Management has been working to reduce the financial cost and also with the aim of extending the debt.

Sale of G BRASIL PARTICIPAÇÕES S.A. (G BRASIL)

In October, 2012, Mr. Sebastião Luis Pereira de Lima ("Mr. Lima") and Mr. Antonio Campello Haddad Filho ("Mr. Haddad Filho") entered into two Purchase and Sale Agreements with GBrasil and ILP Empreendimentos e Participações S.A. ("ILP") a company fully owned by EEF Consultoria Economico Financeira e Participações Ltda. and its ultimate shareholders ("EFF"), among other parties, pursuant to which they agreed to implement a corporate reorganization of our group.

Under such corporate reorganization, 100% of the equity interest held by GBrasil in Sifco S.A. was transferred to Sifco Metals Participações S.A. ("Sifco Metals"), a company 100% owned by Mr. Lima and Mr. Haddad Filho. Mr. Lima and Mr. Haddad Filho, in turn, transferred 100% of their equity interest in GBrasil to ILP. As a result, the Company is no longer controlled by GBrasil.

As a result of this reorganization, the existing current account balance with the companies of G Brasil, in the amount of R$ 237,781 was transferred to amounts receivable, whose conditions for receipt are described in Note 11.

2 Preparation basis

a. Statement of conformity regarding the Accountant Pronouncements Committee (CPC) pronouncements

The Company's individual and consolidated financial statements were prepared in accordance with (BRGAAP) which include corporate law and pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee.

The issue of individual and consolidated financial statements was authorized by the Executive Board on April 15, 2013.

b. Measuring basis

The individual and consolidated financial statements were prepared based on the historical cost, except for the following material items recognized in the balance sheets:

- Financial instruments measured at fair value through profit or loss and
- Investment property measured at fair value;

c. Functional currency and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Real, functional currency of the Company. For group companies only Sifco Intercontinental and Westport (indirect subsidiary) use the U.S. dollar as the functional currency. All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

d. Use of estimates and judgments

The preparation of the individual and consolidated financial statements in accordance with CPCs requires the use of certain accounting estimates and the use of judgment by the management of Sifco and its subsidiaries in the process of applying the accounting policies. Hence, actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner and such reviews are recognized in the period they are reviewed and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the individual and consolidated financial statements are described in the following note:

- Note 10 - Use of tax loss carryforwards;
- Note 14 - Depreciation;
- Note 21 - Provisions;
- Note 32 – Financial instruments.

3 Main accounting policies

The accounting policies described in detail below have been consistently applied to all entities and all years presented in these individual and consolidated financial statements.

a. Basis of consolidation

i. Subsidiaries

The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date such control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

The investment in subsidiaries is recognized using the equity method in the individual financial statements of the parent company.

ii. Transactions eliminated in the consolidation

Intra-group balances and transactions, and any income or expenses derived from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains originating from transactions with investee companies recorded using the equity method, are eliminated against the investment in proportion to the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iii. Companies included in the consolidated financial statements:

Subsidiaries	**Main activity**	**% of interest**	
		12/31/2012	12/31/2011
Sifco Intercontinental Co. Ltd. ("Sifco Intercontinental")	Holding company.	100%	100%
Westport Axle Corporation ("Westport") – Indirect subsidiary	Sale of heavy axles for trucks, other machined components and several import and export activities, as well storage and sequential systems of delivery of components. It has its own sufficient management team, administrative autonomy; it contracts its own operations, including financial operations, which characterize it as autonomous entity.	100%	100%
Tubrasil Sifco Campinas	Management and lease of proprietary assets, assets and properties, business intermediation and management of proprietary assets.	100%	0%
Sifco Capital Luxembourg	Asset management and management of own investments	100%	0%
Tubrasil Sifco Empreendimentos e Participações Ltda. ("Tubrasil Sifco")	Management and lease of proprietary assets, assets and properties, business intermediation and management of proprietary assets.	100%	100%
SF Automotivos S.A. ("SF")	Production and trading of forged and machined products, rendering of business consulting and advisory, technical services, as well as management, monitoring, assembly, and development of production line and rental of own assets.	100%	100%
BR Metals Fundições Ltda. ("BR Metals")	Production and trade of parts cast.	100%	100% **(*)**
Tubrasil BR Metals BP Empreendimentos e Participações Ltda. ("Tubrasil BR Metals BP")	Administration and leasing of own effects and real estate, investments, business intermediation, management and holdings in other companies as a quotaholder or shareholder.	100%	100% **(*)**
Tubrasil BR Metals MTZ Empreendimentos e Participações Ltda. ("Tubrasil BR Metals MTZ")	Administration and leasing of own effects and real estate, investments, business intermediation, management and holdings in other companies as a unitholder or shareholder.	100%	100% **(*)**

(*) The Company's consolidated financial statements recognize the effects of consolidated income beginning as of October 1, 2011, due to the acquisition of BR Metals.

iv. Foreign operations

The financial statements as of December 31, 2012 and 2011 of foreign subsidiaries (Sifco Intercontinental and Westport – consolidated into Sifco Intercontinental) have been adjusted to reflect the accounting practices adopted in Brazil, when applicable, and are translated into Reais based on the following procedures:

a. Assets and liabilities are translated using the closing rate of the U.S. dollar against the Real on the reporting date;

b. The initial shareholders' equity of each balance sheet corresponds to the final shareholders' equity of the prior period as translated at the time; the changes in the initial shareholders' equity during the current period are translated at the rates of the transactions, on the respective dates;

c. Income, costs and expenses are translated at the monthly average exchange rate; and

d. The exchange variations resulting from items (a), (b) and (c) above are recognized in a specific shareholders' equity account under "Accumulated translation adjustments". In the year 2012, effects regarding this adjustment were R$ 3,950 (R$ 6,183 in 2011), resulting in a credit balance in shareholders' equity as of December 31, 2012 of R$ 2,634 (Debt balance of R$ 1,316 in December 31, 2011).

v. Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Sifco Metals are accounted for from the date control is acquired by the Company. The assets and liabilities acquired are recognized at the book values previously recognized in the consolidated financial statements of the Group's controlling shareholder. The shareholders' equity of the entities acquired and any consideration paid for the acquisition are recognized directly in the Company's shareholders' equity.

b. Foreign currency transactions and balances

Transactions in foreign currency are translated into the functional currency of the Company at exchange rates on the transaction dates.

Transactions in foreign currency are translated into the respective functional currencies of the Group's entities at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted into the functional currency at the exchange rate determined on that date. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by interest and effective payments during the year, and the amortized cost in foreign currency at the exchange rate at the end of the presentation year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the foreign exchange rate on the date the fair value was determined. Non-monetary items measured at historical costs in foreign currencies are converted by the exchange rate prevailing on the transaction date. Foreign currencies differences arising from reconversion are usually recognized in income (loss).

c. Financial instruments

i. Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiation under which the Company becomes a party to the contractual provisions of the instrument.

The Company has the following non-derivative financial assets: cash and cash equivalents, trade accounts receivable, current accounts with related parties, other interest earning bank deposits and other assets.

The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company transfers its rights to the contractual cash flows from a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a legally enforceable right to offset and there is intent to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The non-derivative financial assets of the Company are financial assets measured at fair value through profit or loss and loans and receivables.

ii. Financial assets measured at fair value through profit or loss

A financial asset is is classified at fair value through profit or loss if it is held for trading, or stated as such when initially recognized. Financial assets are stated at fair value through profit or loss if the Company manages these investments and makes decisions on investment and redemption based on their fair value in accordance with the Company's documented risk management or investment strategy. Transaction costs are recognized in profit or loss as incurred. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in the fair value of such assets, taking into account any gain with dividends, are recognized in the income for the year. Financial assets measured at fair value through profit or loss include interest earning bank deposits.

iii. Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any transaction costs directly assignable. After the initial measurement, these instruments are accounted for at amortized cost using the effective interest rate method, reduced by any reductions in the recoverable value. Loans and receivables comprise trade accounts receivable, current accounts with related parties, dividends receivable and other assets.

iv. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and financial investments with the original maturity of three months or less as from the contracting date. Cash and cash equivalents are subject to an insignificant risk of change in fair value and are used by the Company in the settlement of short-term obligations.

v. Non-derivative financial liabilities

The Company recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the negotiation date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and financing, real estate credit note, investment funds in credit rights, suppliers, current accounts with related parties, dividends payable and other liabilities.

vi. Capital

Common and preferred shares are classified as shareholders' equity. Compulsory minimum dividends as defined in the bylaws are recognized as liabilities.

The Company's own equity instruments which are repurchased (treasury shares) are stated at cost as a reduction to equity. No gain or loss is recognized in the statement of operations regarding a purchase, sale, issuance or cancellation of the Company's own capital instruments. Any difference between the book value and the transaction value is recognized in profit retention reserves.

vii. Derivative financial instruments

The Company carries out swap operations in order to mitigate foreign exchange and interest rate risk on loans and financing in foreign currency. In these operations, the Company intends to hedge against adverse effects resulting from exchange variations. Realized or unrealized gains or losses are recognized at their fair value as financial income or expenses. The Company does not maintain transactions of speculative nature, i.e. transactions not directly linked to hedge against adverse effects resulting from exchange variations, as mentioned in note 32.

viii. Financial guarantees

Financial guarantees are established in contracts which obligate the Company to assume specific payments under the guarantee of a loss incurred when a specific debtor fails to pay a certain debt instrument. The Company is a guarantor of certain debt instruments entered into by related parties.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is provided. Fair value is defined based on the best estimate to settle the financial guarantee. No receivable or future premium is recognized. Subsequently, the Company's obligation in relation to these guarantees is measured at the higher of the initial amount, less accumulated amortizations in the period, and the amount determined in accordance with CPC 25 - Provisions, Contingent Assets and Contingent Liabilities.

d. Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment are stated at historical acquisition or construction cost less accumulated depreciation and accumulated impairment losses. The cost of certain property, plant and equipment items was calculated by reference to the revaluation previously carried out under BR GAAP.
The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the entity includes:

- The cost of materials and direct labor;
- Any other costs attributable to bringing the assets to the location and condition required for them to operate in the manner intended by the Management;

- The costs for dismantling and restoration of the site where these assets are located; and
- Loan costs on qualifiable assets.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "Other income" in the statement of income.

ii. Subsequent costs

Subsequent expenditures are capitalized in accordance with the probability that associated future economic benefits may be earned by the Group. Maintenance expenses and recurring repairs are recorded in the income when incurred.

iii. Depreciation

Property, plant and equipment items are depreciated from the date they are available for use, and, in case of internal constructions, from the date the construction has been completed and the asset is available for use.

Depreciation is calculated to amortize the cost of items of property, plant and equipment, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is generally recognized in income (loss), unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the Group will obtain ownership at the end of the lease term. Land is not depreciated.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.
Estimated useful lives of significant items of property, plant and equipment for current and comparative years are as follows:

• buildings	40 years
• molds and tools	3-10 years
• machinery and equipment	5-12 years
• furniture and fixtures	5-10 years

e. Intangible assets

Intangible assets are recorded at the cost of acquisition, less accumulated amortization and impairment losses, as applicable, pursuant to CPC 04 – Intangible assets.

Intangible assets of the Company and its subsidiaries comprise software use rights, which are amortized over a period of five years.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including

expenditures on internally-generated goodwill and trademarks, are recognized in income (loss) as incurred.

Amortization Is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, except goodwill, from the date they are available for use, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset.

The amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f. Investment property

Investment property is property held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, or use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured upon the initial recognition at cost and subsequently at fair value and any change in the fair value is recognized in the statement of income.

Cost includes expenses that are directly attributable to the acquisition of an investment property. The cost of investment property internally built includes the material used, direct labor, or any other cost directly attributable to bringing the investment property to a working condition for its intended purpose, and the capitalized interest on borrowings.

Gains and losses in the sale of an investment property (calculated by the difference between the net value received in the sale and the book value of the item) are recognized in the statement of income. When an investment property previously recognized as a fixed asset is sold, any amount recognized in equity valuation adjustment is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for accounting.

g. Investments

In the individual financial statements of the Company, investments are measured using the equity method based on financial statements prepared in accordance with the Company's accounting policies, pursuant to CPC 18 - Investments in associated companies and subsidiaries. The exchange variation of the investment in subsidiaries abroad is recognized in the shareholders' equity as cumulative translation adjustment, pursuant to CPC 02 – Effects of changes in exchange rates and translation of financial statements. Other investments are valued at historical cost, less any accumulated impairment. These investments are valued at amortized cost.

h. Leased assets

Assets held by the Company or its subsidiaries under leases which substantially transfer all the risks and rewards of ownership to the Company or its subsidiaries are classified as financial leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial

recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the balance sheet of the Company or its subsidiaries.

i. Inventories

Inventory cost is based on average acquisition price and includes costs relating to transportation, storage, non-recoverable taxes, as well as other costs incurred to in bringing them to their existing location and condition. In the case of manufactured inventories, work in progress and finished products, inventories include general manufacturing expenses based on the normal capacity of production. Inventories are measured at the lower value between the cost and net realizable value.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and selling expenses.

j. Trade accounts receivable

Trade accounts receivable are initially recognized in the statement of financial position at their fair value and re-measured for foreign exchange variation, when applicable, and classified between current and non-current according to their maturities. Provision for impairment is formed with a basis on the individual analysis of the trade notes and of the trade accounts receivable and in a sum considered sufficient by Company Management to cover probable losses upon their realization, represented basically by the individual analysis of accounts receivable outstanding. When collection risks are identified, past-due debts are fully accrued.

k. Other assets

Other current and non-current assets are presented by the net realization value.

l. Provisions

A provision is recognized if, as a result of a past event, the Company and its subsidiaries have a legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the Company and its subsidiaries expect a portion of or the entire provision to be reimbursed, for example, through an insurance contract, the reimbursement is recognized as a separate asset, but only to the extent of the provision and only when reimbursement is practically certain. Expenses related to provisions are recognized in profit or loss, net of any reimbursement.

m. Tied assets and liabilities, subject to monetary restatement

The rights and obligations, legal or contractually subject to monetary variation, are restated up to the statement of financial position dates, whose contra-entries are directly reflected in the result for the years presented.

n. Impairment

In accordance with CPC 01, the Company assesses the impairment of long-lived assets, mainly property, plant and equipment and intangible assets. At each reporting date, the Company analyses if there is evidence that the carrying value of an asset will not be recovered. Should such evidence be identified, the Company estimates the recoverable value of the asset.

The recoverable value of an asset is the greater of:

i. Its fair value less costs to sell;

ii. Its value in use. Value in use is equivalent to the discounted cash flows (before taxes) arising from the continuous use of the asset until the end of its useful life.

When the residual carrying value of the asset exceeds its recoverable value, the Company recognizes impairment. Impairment is recorded in profit or loss for the year. The reversal of loss previously recognized is permitted. Reversal under these circumstances is limited to the depreciated balance that the asset would present at the reversal date, assuming that the reversal has not been recorded.

o. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income.

The income and social contribution tax expense comprises current and deferred taxes on income. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

Current taxes are the taxes payable or receivable on the taxable income or loss for the year, at tax rates enacted or substantively enacted on the reporting date, and any adjustments to taxes payable in relation to prior years.

Deferred taxes are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against tax liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income and social contribution tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

p. Determination of the fair value

A number of accounting policies and disclosures of the Company and its subsidiaries require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for the purposes of measurement and/or disclosure using available information and appropriate methodologies. Determining fair value requires considerable judgment and reasonable estimates to produce the most adequate fair value. When applicable,

additional information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Derivatives

The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonability by estimating discounted future cash flows based on contract conditions and maturities and using market interest rates of similar instruments on the measurement date. Fair values reflect the instrument credit risk and include adjustments to consider the credit risk of the Company and the counterparty, if applicable.

ii. Non-derivative financial liabilities

The fair value, which is determined for initial recognition and disclosure purposes, is calculated based on the present value of principal and interest cash flows, discounted at the market interest rate at the reporting date. For financial leases, the interest rate is calculated by referring to similar lease agreements.

q. Operating income

i. Goods sold

Revenue from sale of goods in the normal course of business is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards inherent to the ownership of the assets have been transferred to the customer, it is probable that the financial economic benefits will flow to the Company, the related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of revenue can be reliably measured. In the event it is probable that discounts will be granted and their amounts can be reliably measured, the discounts are recognized as to deduction from operating revenue as the related sales are recognized.

The moment for the transfer of risks and benefits varies depending on the individual conditions of the sales agreement. With regard to the sale of goods related to the production of castings, and the forging and machining of parts for the automotive industry, transfer normally occurs when the product is delivered to the customer's warehouse. However, for some international shipping, transfer occurs when the merchandise is loaded in a carrier at the seller's port.

ii. Services

Revenue from services rendered is recognized in profit or loss based on the stage of completion of the service at the reporting date.

r. Financial income and expenses

Financial income includes interest income on invested funds, gains from the sale of financial assets available for sale, and variations in fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in profit or loss using the effective interest method.

Financial expenses include loan interest expenses net of the discount to present value of the provisions, changes in fair value of financial assets measured at fair value through profit or loss (including derivatives), losses arising from impairment recognized on financial assets, and losses in financial derivative instruments. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

Foreign exchange gains and losses of financial assets and liabilities are reported on a net basis as financial income or expenses depending on whether the exchange variations are in a position of net gain or loss.

s. Earnings (loss) per share

Basic earnings (loss) per share are calculated based on profit or loss for the financial year attributable to the Company's controlling and non-controlling shareholders and the weighted average of outstanding common and preferred shares in the respective period. Diluted earnings per share are calculated based on the above-mentioned average of outstanding shares, adjusted for instruments that can potentially be converted into shares, with a dilutive effect.

4 Cash and cash equivalents

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Cash and banks	11,169	45,361	7,276	32,870
Interest earnings bank deposits	118,824	72,000	64,721	66,728
	129,993	117,361	71,997	99,598

The balances of interest earning bank deposits comprise fixed-income securities, remunerated at approximately 95% to 100% of the variation of the CDI - Certificate of Interbank Deposit, with daily liquidity and possibility of immediate redemption, without fine or loss of profitability.

The Company's exposure to interest rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in note 32.

5 Other interest earnings bank deposits

		Consolidated		Parent company	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
In current assets					
In local currency					
Investment funds of credit rights		-	4,069	-	4,069
Senior quotas in investment funds in credit rights	**(a)**	11,465	10,363	11,465	10,363
In foreign currency					
Interest in investment funds	**(b)**	11,453	34,254	9,409	25,766
		22,918	48,686	20,874	40,198
In non-current assets					
In local currency					
Special savings bonds		840	578	592	425
		840	578	592	425

(a) Investment fund in credit rights -(Receivables fund)- FIDC Atlanta

The Company acquired 100 senior quotas from FIDC Atlanta, a fund controlled by third parties. As of December 31, 2012, the balance is R$11,465 (R$ 10,363 in 2011) and the Company may sell this investment at any time, by means of a private purchase and sale agreement with the fund. The target return on this investment is 121% of the average CDI rate for the period.

(b) Other investment funds

During 2011, the Company and its subsidiaries invested in an investment fund (Orion Investment Fund III Limited), whose portfolio on December 31, 2012 and 2011 had fixed income investments (Global Medium Term Notes) and the balance as of December 31, 2012 is US$ 5,338 (R$ 10,909) in the Parent company and US$ 6,339 (R$ 12,953) in the Consolidated.

6 Trade accounts receivable

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
In local currency:				
Third parties				
Trade notes receivable	44,028	87,369	23,943	73,925
Trade notes receivable from GBrasil, KG, Brasil Logística and Vulcan	5,178	-	2,275	-
Trade notes receivable assigned to the FIDC Atlanta	12,100	10,711	12,100	8,312
Trade notes receivable sold to the FIDC	-	19,737	-	17,338
	61,306	117,817	38,318	99,575
Related parties				
KG	-	6,950	-	-
Alujet	1,532	1,005	384	-
Vulcan	-	738	-	-
	1,532	8,693	384	-
In foreign currency:				
Exchange rates receivable from third parties	53,407	73,340	2,051	6,485
Related parties				
Westport	-	-	4,261	6,246
North Sky	660	2,758	-	-
	660	2,758	4,261	6,246
Allowance for doubtful accounts	(263)	(736)	-	-
	116,642	201,872	45,014	112,306

Amounts receivable in foreign currency are denominated in U.S. dollars. Maturity of trade accounts receivable, including other loans and receivables, is presented in item a, note 32.

Company's exposure to credit and currency risks and impairment losses related to trade accounts receivable are disclosed in note 32.

7 Inventories

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
In current assets				
Finished goods	23,553	10,239	14,006	6,583
Work in process	47,107	41,588	16,947	25,481
Raw materials	25,482	22,299	9,863	11,766
Storeroom materials	7,167	11,268	1,352	2,894
Tools and maintenance parts	1,027	9,243	-	7,071
Other inputs	2,235	7,499	325	1,814
Provision for impairment	(12,533)	(2,927)	(1,350)	(2,927)

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
	94,038	99,209	41,143	52,682
In non-current assets				
Tools and maintenance parts	4,055	3,182	-	-
Book value of inventories pledged as collateral (See note 15)	28,688	38,703	13,595	22,822

8 Recoverable taxes

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
ICMS	48,174	44,597	7,231	6,520
IPI	5,368	3,406	482	895
PIS	5,875	4,892	90	352
COFINS	17,435	12,830	416	1,639
IRPJ and CSSL	6,858	11,307	5,664	9,637
Recoverable taxes from subsidiaries abroad	-	799	-	-
	83,710	77,831	13,883	19,043
Current	42,076	34,821	8,476	13,269
Non-current	41,634	43,010	5,407	5,774

Taxes and contributions recoverable result from prepayment of taxes, credits on acquisitions of property, plant and equipment and from commercial and financial operations carried out by the Company and subsidiaries, and are considered realizable in the normal course of operations. According to the Company's cash management, ICMS tax credits can also be sold to third parties. In such cases, the credit recoverable value is recorded net of average negative goodwill practiced in the market.

9 Advances to suppliers

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Third parties	12,521	7,478	3,381	2,252
Related parties				
SF	-	-	653	557
	12,521	7,478	4,034	2,809

Refers mainly to advances of freight services made to supplier G Brasil Logística and labor and rental of forklifts for Lark S.A.

10 Deferred tax assets and liabilities

a. Unrecognized deferred tax assets

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Timing differences	6,475	6,687	-	-
Accumulated loss	81,353	50,032	16,961	-
Total	87,828	56,719	16,961	-

Unrecognized temporary differences and accumulated losses originate from subsidiary BR Metals and parent company Sifco.

b. Recognized deferred taxes

Deferred tax assets and liabilities were allocated as follows:

	Consolidated					
	Assets		Liabilities		Net	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Property, plant and equipment	-	-	(33,523)	(34,129)	(33,153)	(34,129)
Derivatives	35	47	(1,982)	(1,755)	(2,330)	(1,708)
Inventories allowance	533	1,020	-	-	873	1,020
Other receivables	-	-	(14,144)	(11,246)	(13,000)	(11,246)
Provisions	3,073	4,372	-	-	4,463	4,372
Tax loss	42,785	34,225	-	-	39,924	34,225
Tax assets (liabilities)	46,426	39,664	(49,649)	(47,130)	(3,223)	(7,466)
Amount subject to offsetting	(29,302)	(28,965)	29,302	28,965	-	-
Net tax assets (liabilities)	17,124	10,699	(20,347)	(18,165)	(3,223)	(7,466)

	Parent company					
	Assets		Liabilities		Net	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Property, plant and equipment	-	-	(13,114)	(14,941)	(13,114)	(14,941)
Derivatives	-	-	(1,982)	(1,755)	(1,982)	(1,755)
Inventories allowance	459	799	-	-	459	799
Other receivables	-	-	(14,144)	(11,246)	(14,144)	(11,246)
Provisions	2,573	3,617	-	-	2,573	3,617
Tax loss	42,785	34,225	-	-	42,785	34,225
Tax assets (liabilities)	45,817	38,641	(29,240)	(27,942)	16,577	10,699
Amount subject to offsetting	(29,240)	(27,942)	29,240	27,942	-	-
Net tax assets (liabilities)	16,577	10,699	-	-	16,577	10,699

c. Movement in temporary differences and tax losses during the year

	Consolidated			
	Balance at December 31, 2011	**Recognized in income (loss)**	**Recognized in equity or changes due to foreign exchange variation**	**Balance at December 31, 2012**
Property, plant and equipment	(34,129)	830	(224)	(33,153)
Derivatives	(1,708)	(244)	5	(2,330)
Inventories allowance	1,020	(510)	23	873
Other receivables	(11,246)	(2,898)	-	(13,000)
Provisions	4,372	(1,325)	26	4,463
Tax loss	34,225	8,560	-	39,924
Deferred net tax assets (liabilities)	(7,466)	4,413	(170)	(3,223)

	Parent company		
	Balance at December 31, 2011	**Recognized in income (loss)**	**Balance at December 31, 2012**
Property, plant and equipment	(14,941)	1,827	(12,744)
Derivatives	(1,755)	(227)	(2,365)
Inventories allowance	799	(340)	799
Other receivables	(11,246)	(2,898)	(13,000)
Provisions	3,617	(1,044)	3,963
Tax loss	34,225	8,560	39,924
Deferred net tax assets (liabilities)	10,699	5,878	16,577

Future use of deferred income tax and social contribution assets is supported by projections of taxable income for a period of up to 10 years, prepared by the Company's management, in compliance with the tax legislation.

The projections of future taxable income include various estimates related to the performance of the Brazilian and international economies, selection and projection of exchange rates, volume of sales and sales prices, among others, which may present variations against the actual data and values.

11 Amounts receivable

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
MTP	28,368	-	27,583	-
G Brasil	198,558	-	197,964	-
KG	9,230	-	6,543	-
Vulcan	1,625	-	-	-
	237,781	-	232,090	-

This balance refers to the existing current account with G Brasil companies. These companies were related parties in the former corporate structure of the Group. According to the corporate restructuring mentioned in Note 1, the new shareholder of the aforementioned companies is the company ILP. In accordance with the Purchase and Sale Contract, payment of the total amount of accounts receivable of the aforementioned companies have a grace period until December 2013. Beginning as of December 2013, this balance will become due and the parties agreed to then review and negotiate, in good faith, payment conditions at the end of 5 subsequent years, renewable for 5 additional years, in the hypothesis that the financial situation of G Brasil affiliates (aforementioned companies) requires debt rescheduling. The balances resulting from amounts receivable are subject to interest equivalent to the CDI rate (6.90% p.a. on December 31, 2012).

Due to this sale, there was a transfer of assets and settlement of debts by the aforementioned debtors, in the amount of R$ 31,750, thereby reducing the balance of receivables at December 31, 2012.

12 Other assets

		Consolidated		**Parent company**	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Third parties					
Eletrobrás credits	**(a)**	76,724	68,200	76,724	68,200
Court-ordered debt payments receivable	**(b)**	14,499	13,413	14,499	13,413
Judicial deposits	**(c)**	12,174	10,262	1,309	-
Advances to employees		3,791	1,242	3,538	1,269
Other receivables		17,163	4,317	12,874	3,076
		124,351	97,434	108,944	85,958
Current		16,740	4,977	16,412	4,345
Non-current		107,611	92,457	92,532	81,613

(a) Eletrobrás credits are receivables as a result of decision RESP 1028592 irrevocably judged by the Superior Court of Justice (STF) on August 28, 2010. These credits legally accrue interest based on UFIR-RJ (IPCA-E) (a Brazilian inflation rate index) rate plus interest in arrears of 0.5% p.m., up to January 2003. After this date, adjustment occurred through the use of UFIR-RJ (IPCA-E) rate plus interest on arrears of 1% p.m.

(b) The Company filed a Lawsuit for the Refunding of Undue Payments (Lawsuit 259/97) against the Finance Department of São Paulo State as a result of ICMS undue payment and overpayment. According to the decision issued by the Higher Court of Justice, the Company obtained success in its claim. The Company is the legal owner of the overpaid cash, fully covered by the Federal Constitution and the São Paulo state legislation. The Company is seeking the recovery of residual amounts, mainly through offsetting future taxes payable, tax installments payable and other tax debts.

(c) As of December 31, 2012, judicial deposits made amounted to R$ 1,309 (R$ 0 in 2011) in the Parent company and R$ 12,174 (R$ 10,262) in the Consolidated which are adjusted by the rate of the Higher Court of Justice and were classified in non-current assets.

13 Investments

a. Breakdown of investments in subsidiaries

	Parent company	
	12/31/2012	**12/31/2011**
Companies:		
Sifco Intercontinental	41,293	48,831
Tubrasil Sifco	90,774	127,733
Tubrasil Sifco Campinas	28,125	-
Sifco Capital Luxembourg	39	-
SF Automotivo	48,340	53,402
BR Metals	121,558	161,673
	330,129	391,639

b. Changes in investments

	Intercontinental Sifco	**Tubrasil Sifco**	**Tubrasil Sifco Campinas**	**Sifco Capital Luxembourg**	**SF Automotivo**	**BR Metals**	**Total**
Investment on December 31, 2010	26,517	118,654	-	-	53,975	-	199,146
Transfer of investment	-				-	3,849	3,849
Capital increase	14,701				-	160,000	174,071
Equity income (loss)	2,060	9,079			(567)	(2,176)	8,396
Other	-				(6)	-	(6)
Accumulated translation adjustment	6,183				-	-	6,183
Investment on December 31, 2011	48,831	127,733	-	-	53,402	161,673	391,639
Capital decrease in subsidiaries	(30,440)	-	-	-	-	-	(30,440)
Equity income (loss)	5,858	(6,617)	(229)	(40)	(5,062)	(40,115)	(46,205)
Capital increase in subsidiaries	13,094	-	-	79	-	-	13,173
Spin-off and capital transfer		(28,354)	28,354	-	-	-	-
Intermediary dividends proposed	-	(1,988)	-	-	-	-	(1,988)
Accumulated translation adjustment	3,950	-	-	-	-	-	3,950
Investment on December 31, 2012	41,293	90,774	28,125	39	48,340	121,558	330,129

On October 1, 2011, by means of the private instrument for amendment of the articles of association, G Brasil transferred to Sifco all of its shares of BR Metals in the amount of R$ 3,849.In the same act, Sifco increased capital of BR Metals through the issuance of 160,000 new shares paid with credits receivable from the Company, increasing the capital stock from R$ 91,056 to R$ 251,056.

In 2012, shareholders approved at the General Shareholders' Meeting, a capital decrease of the subsidiary Sifco Intercontinental in the amount of R$ 30,440.

On June 14, 2012, shareholders approved at the Extraordinary General Shareholders’ Meeting, the minimum mandatory dividend, in subsidiary Tubrasil Sifco related to the income statement of the year 2011 in the amount of R$ 1,988.

On August 20, 2012, the Extraordinary General Meeting of Shareholders approved the payment of the share capital of R$ 28,354 represented by 20,000,000 common shares with no par value, being fully subscribed and paid-up through the spin-off net assets of Tubrasil Sifco Empreendimentos e Participações S.A.

On December 28, 2012, shareholders approved at the General Shareholders' Meeting, a capital increase of the subsidiary Sifco Intercontinental in the amount of R$ 13,094 against the account receivable account.

c. Summary of the financial information of the subsidiaries

	Intercontinental Sifco	Tubrasil Sifco Campinas	Tubrasil Sifco	Sifco Capital Luxembourg	SF Automotivo	BR Metals
December 31, 2011						
Interest %	100%	0%	100%	0%	100%	100%
Number of quotas	2,189,970	-	48,587,697	-	49,891,658	251,056,479
Current assets	63,193	-	3,448	-	9,178	145,675
Non-current assets	21,598	-	171,216	-	46,548	281,216
Total assets	84,791	-	174,664	-	55,726	426,891
Current liabilities	23,717	-	13,799	-	578	138,654
Non-current liabilities	12,243	-	33,131	-	1,747	126,565
Total liabilities	35,960	-	46,930	-	2,325	265,219
Shareholders' equity	48,831	-	127,734	-	53,401	161,672
Income **(*)**	103,980	-	22,699	-	6,976	85,304
Expenses **(*)**	101,920	-	13,620	-	7,543	87,480
Income or loss	2,060	-	9,079	-	(567)	(2,176)
Equity in net income of subsidiaries	2,060	-	9,079	-	(567)	(2,176)
December 31, 2012						
Interest %	100%	100%	100%	100%	100%	100%
Number of quotas	1,145,681	19,999,980	52,571,186	31	49,891,658	251,056,479
Current assets	45,105	-	3,452	39	9,175	187,672
Non-current assets	51,886	28,125	122,921	-	41,428	295,810
Total assets	96,991	28,125	126,373	39	50,603	483,482
Current liabilities	27,306	-	14,943	-	681	241,820
Non-current liabilities	28,393	-	20,654	-	1,582	120,105
Total liabilities	55,699	-	35,597	-	2,263	361,925
Shareholders' equity	41,292	28,125	90,776	39	48,340	121,557
Income **(*)**	124,453	-	4,313	-	165	303,139
Expenses **(*)**	118,595	229	10,930	40	5,227	343,254
Income or loss	5,858	(229)	(6,617)	(40)	(5,062)	(40,115)
Equity in net income of subsidiaries	5,858	(229)	(6,617)	(40)	(5,062)	(40,115)

(*) Income and expenses include: sales revenue, cost of products and services sold, financial income, foreign exchange variation on assets, operating expenses, financial expenses, foreign exchange variations on liabilities, gains and losses on derivative financial instruments, and current and deferred income tax and social contribution.

14 Property, plant and equipment

The chart below presents the changes in property, plant and equipment of the Company and its subsidiaries:

Consolidated

	Balance at December 31, 2010	Additions	Additions by consolidation	Write-offs	Transfers	Translation adjustment	Balance at December 31, 2011	Additions	Write-offs	Transfers	Translation adjustment	Balance at December 31, 2012
Cost												
Land	47,760	-	18,496	-	-	-	66,256	-	-	-	-	66,256
Buildings	98,151	276	56,535	-	330	543	155,835	1,803	-	3,007	485	161,130
Machinery, equipment and facilities	276,796	11,085	136,803	(9,007)	22,501	2,399	440,577	49,122	(724)	41,834	2,623	533,432
IT equipment	2,475	-	2,961	(171)	786	-	6,051	72	(31)	43	-	6,135
Vehicles	2,530	-	465	(83)	558	-	3,470	105	(1,680)	4,660	-	6,555
Furniture and fixtures	8,377	387	5,467	(113)	614	344	15,076	1,784	(115)	283	317	17,345
Molds and tools	42,758	6,202	4,321	(1,978)	10,411	674	62,388	3,311	(3,574)	18,841	520	81,486
Constructions in progress	9,284	43,947	17,745	(361)	(26,536)	-	44,079	54,482	-	(60,183)	-	38,378
Total	488,131	61,897	242,793	(11,713)	8,664	3,960	793,732	110,679	(6,124)	8,485	3,945	910,717
Accumulated depreciation												
Buildings	(28,270)	(2,063)	(5,896)	-	-	(50)	(36,279)	(3,616)	-	-	(45)	(39,940)
Machinery, equipment and facilities	(114,345)	(20,456)	(41,028)	3,488	(175)	(681)	(173,197)	(37,123)	435	215	(947)	(210,617)
IT equipment	(1,672)	(397)	(2,468)	165	-	-	(4,372)	(574)	30	-	-	(4,916)
Vehicles	(1,537)	(328)	(384)	37	-	-	(2,212)	(378)	1,205	-	-	(1,385)
Furniture and fixtures	(6,577)	(593)	(3,811)	49	(4)	(287)	(11,223)	(1,059)	114	-	(229)	(12,397)
Molds and tools	(28,011)	(3,836)	(2,106)	367	-	(465)	(34,051)	(5,718)	1,912	914	(334)	(37,277)
Total	(180,412)	(27,673)	(55,693)	4,106	(179)	(1,483)	(261,334)	(48,468)	3,696	1,129	(1,555)	(306,532)
Net book value	307,719	34,224	187,100	(7,607)	8,485	2,477	532,398	62,211	(2,428)	9,614	2,390	604,185

Parent company

	Balance at December 31, 2010	Additions	Write-offs	Transfers	Balance at December 31, 2011	Additions	Write-offs	Transfers	Balance at December 31, 2012
Cost									
Machinery, equipment and facilities	210,282	-	(3,763)	19,560	226,079	5,182	(489)	36,419	267,191
IT equipment	2,375	-	(165)	786	2,996	59	(31)	43	3,067
Vehicles	2,361	-	(83)	558	2,836	2	(1,410)	4,660	6,088
Furniture and fixtures	5,881	-	(82)	440	6,239	-	(115)	149	6,273
Molds and tools	32,192	6,194	(475)	10,373	48,284	2,984	(3,574)	18,841	66,535
Constructions in progress	8,409	38,027	-	(23,048)	23,388	39,567	-	(51,627)	11,328
Total	261,500	44,221	(4,568)	8,669	309,822	47,794	(5,619)	8,485	360,482
Accumulated depreciation									
Machinery, equipment and facilities	(106,609)	(9,946)	2,680	(178)	(114,053)	(13,498)	328	215	(127,008)
IT equipment	(1,664)	(315)	165	-	(1,814)	(357)	30	-	(2,141)
Vehicles	(1,511)	(276)	37	-	(1,750)	(297)	946	-	(1,101)
Furniture and fixtures	(4,787)	(237)	47	-	(4,977)	(230)	114	-	(5,093)
Molds and tools	(25,599)	(2,446)	313	-	(27,732)	(4,627)	2,412	914	(29,033)
Constructions in progress	-	-	-	-	-				-
Total	(140,170)	(13,220)	3,242	(178)	(150,326)	(19,009)	3,830	1,129	(164,376)
Net book value	121,330	31,001	(1,326)	8,491	159,496	28,785	(1,789)	9,614	196,106

a. Depreciation percentage and fully depreciated items

		Consolidated	Parent company
Description	**Estimated useful lives**	**Cost of fully depreciated assets**	**Cost of fully depreciated assets**
Machinery, equipment and facilities	12 years	61,558	58,048
IT equipment	5 -10 years	3,565	1,483
Vehicles	5 -10 years	826	643
Furniture and fixtures	5 -10 years	6,706	4,054
Molds and tools	3 -10 years	20,717	20,566
Total		93,372	84,794

b. Collateralized assets

As guarantees to its bank loans as of December 31, 2012, the Company pledged property, plant and equipment with a book value of R$ 33,009 (R$ 85,255 in 2011) in the Parent company, and R$ 159,179 (R$ 135,873 in 2011) in the Consolidated financial statements.

15 Loans and financing

Terms and conditions of outstanding loans and financing on December 31, 2012 are as follows:

	12/31/2012			12/31/2011			12/31/2012		
Consolidated	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Annual financial charges (%)**	**Maturity**	**Guarantees**
In local currency									
Working capital	90,656	51,860	142,516	81,311	51,037	132,348	130% of CDI and CDI + 3.5% p.a. to CDI + 12.7% p.a. and 19.66% p.a.	Dec/16	Surety, CDB pledge, trade notes, inventories and fixed assets
Secured account	-	-	-	1,169	-	1,169	CDI + 6.2 to CDI + +12.7	Nov/12	Surety and pledge of trade notes
Debentures	221	39,938	40,159	19,462	23,156	42,618	CDI + 7.20% p.a.	Nov/19	Surety and pledge of fixed assets
EXIM - Pre-payment	40,492	2,667	43,159	28,237	-	28,237	4.5% p.a. to TJLP + 5.3% p.a and 9% p.a.	Apr/14	Surety and pledge of fixed assets
Discounted receivables	24,732	-	24,732	11,883	-	11,883	24.75% p.a. to 26.00% p.a.	Jan/2013	Trade Notes
Other loans	3,914	8,388	12,302	1,185	-	1,185	15.38% p.a. to 20% p.a.	Apr/17	Pledge of fixed assets
	160,015	102,853	262,868	143,247	74,193	217,440			
In foreign currency **(*)**									
Euronotes	283	122,643	122,926	770	115,052	115,822	11.5% p.a.	Jun/16	Secured account
Advance on Exchange Contract / Prepayment	69,682	-	69,682	85,547	2,833	88,380	Libor + EV + 7.4% p.a. to 7.7% p.a.	Dec/13	Delivered bill of exchange + surety + CDB pledge + fixed assets
Onlending - Resolution 2770	10,675	-	10,675	1,419	-	1,419	EV + 9% p.a.	Jun/13	Surety and pledge of fixed assets
Financing of machinery	3,464	7,282	10,746	1,024	407	1,431	4.55–11.81%	2019	Fixed assets
Working capital	19,596	14,321	33,917	3,483	12,309	15,792	3.25–4.50%	2018	
Other loans	202	-	202	-	745	745	EV + 6.00 p.a.	Oct/2012	Pledge of fixed assets
	103,902	144,246	248,148	92,243	131,346	223,589			
Total loans and financing with third parties	263,917	247,099	511,016	235,490	205,539	441,029			

	12/31/2012			12/31/2011			12/31/2012		
Parent company	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Annual financial charges (%)**	**Maturity**	**Guarantees**
In local currency									
Working capital	85,721	51,110	136,831	64,537	23,737	88,274	CDI + 3.5% p.a. to CDI + 12.7% p.a. and 19.66% p.a.	Dec/16	Surety, CDB pledge, trade notes, inventories and fixed assets
Debentures – MN	221	39,938	40,159	19,462	23,156	42,618	CDI + 7.20% p.a.	Nov/19	Surety and pledge of fixed assets
EXIM - Pre-payment	5,853	-	5,853	21,987	-	21,987	9% aa	Jul/13	
Discounted receivables	12,190	-	12,190	-	-	-	24.75% p.a.	Jan/2013	-
Other loans	3,914	8,388	12,302	1,185	-	1,185	12.6% p.a. to 15% p.a.	Apr/17	Pledge of fixed assets
	107,899	99,436	207,335	107,171	46,893	154,064			
In foreign currency **(*)**									
Euronotes **(a)**	283	122,643	122,926	770	115,052	115,822	11.5% p.a.	Jun/16	Secured account
Advance on Exchange Contract / Prepayment	48,402	-	48,402	54,397	721	55,118	EV + 7.4% p.a. to 7.7% p.a.	Dec/13	Delivered bill of exchange
Onlending - Resolution 2770	10,675	-	10,675	1,419	-	1,419	EV + 9% p.a.	Jun/13	Surety and pledge of fixed assets
Other loans	202	-	202	-	745	745	EV + 6.00 p.a.	Oct/2012	Pledge of fixed assets
	59,562	122,643	182,205	56,586	116,518	173,104			
Total loans and financing with third parties	167,461	222,079	389,540	163,757	163,411	327,168			

(*) Indexed to the US Dollar.

(a) Senior Secured Notes

On May 27, 2011, the Company launched a "Global Medium Term Notes" program in the International Capital Market, for the maximum amount of US$ 300,000 thousand. The 1st series of "Senior Secured Notes" was issued on June 6, 2011, in the amount of US$ 75,000 thousand (approximately R$125,000) with annual interest of 11.5% and maturing in 2016, for the purpose of extending maturities of short-term liabilities of the Company.

Covenants

Senior Secured Notes

The Senior Secured Notes are subject to restrictive clauses that include, among others, clauses requiring that the Company maintain certain financial ratios within pre-established parameters. On December 31, 2012 and 2011, the Company was in compliance with all covenants.

Certain loan agreements are subject to restrictive clauses and include clauses, among others, requiring that the Company and its subsidiaries should maintain certain financial ratios within the pre-established parameters. As of December 31, 2011, due to the impacts of the global crisis on the local market, certain ratios did not reach the minimum levels required by these clauses. The Company and the former controlling shareholder obtained from the credit institutions, the respective waivers changing the minimum levels before the end of 2011. On December 31, 2012, the Company maintains only one active contract covering this type of requirement and despite being compliant with all the calculations, such contract has already been settled in February 2013.

16 Suppliers

	Consolidated		**Parent company**	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
In local currency				
Third parties	63,369	89,122	34,402	66,053
Related parties				
Tubrasil Sifco	-	-	1,544	1,658
SF	-	-	9,165	9,165
KG	-	9,750	-	-
G Brasil Logística	90	396	90	396
G Brasil Participações	-	15	-	15
	90	10,161	10,799	11,234
In foreign currency				
Third parties	-	8,499	36	2,807
Related parties				
Westport	-	-	2,658	2,835
	-	-	2,658	2,835
	63,459	107,782	47,895	82,929

17 Fiscal and labor obligations

The fiscal and labor obligations of the Company and its subsidiaries are as follows:

		Consolidated					
		12/31/2012			12/31/2011		
		Current	Non-current	Total	Current	Non-current	Total
ICMS (VAT taxes)	(a)	46,589	15,168	61,757	12,446	13,628	26,074
PIS (Revenue taxes)	(a)	3,133	2,062	5,195	1,490	2,873	4,363
COFINS	(a)	13,749	9,663	23,412	6,865	12,957	19,822
INSS	(a)	59,319	218,574	277,893	38,573	162,966	201,539
Refis IV (tax refinancing)	(b)	17,670	144,647	162,317	13,458	147,469	160,927
PPI (tax refinancing)	(c)	1,702	5,458	7,160	1,448	6,877	8,325
IPI		69	-	69	693	-	693
IRPJ and CSLL		3.730	348	4,078	3,821	-	3,821
ISS		141	-	141	153	-	153
FGTS		9,968	5,758	15,726	3,559	-	3,559
Other scheduled payments		16,506	25,489	41,995	13,217	30,529	43,746
Other taxes payable		-	-	-	691	-	691
Credits from taxes offset	(a.1)	-	(45,876)	(45,876)	-	-	-
		172,576	381,291	553,867	96,414	377,299	473,713

		Parent company					
		12/31/2012			12/31/2011		
		Current	Non-current	Total	Current	Non-current	Total
ICMS (VAT taxes)	(a)	46,321	15,168	61,489	12,353	13,628	25,981
PIS (Revenue taxes)	(a)	3,011	2,062	5,073	1,475	2,873	4,348
COFINS	(a)	13,745	9,663	23,408	6,793	12,957	19,750
INSS	(a)	54,523	118,504	173,027	33,677	92,473	126,150
Refis IV (tax refinancing)	(b)	17,150	139,587	156,737	13,003	142,530	155,533
PPI (tax refinancing)	(c)	1,702	5,458	7,160	1,448	6,877	8,325
IPI		69	-	69	693	-	693
IRPJ and CSLL		3,127	-	3,127	3,016	-	3,016
ISS		84	-	84	77	-	77
FGTS		4,463	5,758	10,221	3,000	-	3,000
Other scheduled payments		15,739	25,489	41,228	12,478	27,685	40,163
Other taxes payable		-	-	-	691	-	691
Credits from taxes offset	(a.1)	-	(40,711)	(40,711)	-	-	-
		159,934	280,978	440,912	88,704	299,023	387,727

(a) ICMS, PIS, COFINS and INSS

Corresponds to unpaid legal obligations and legal obligations offset against tax credits that have not been approved by the Federal Revenue Service or the State Finance Department, which are restated by fines and interest.

(a.1) The Company and its subsidiaries surveyed their contingent tax assets, in the amount of R$ 196,333, of which R$ 45,876 (R$ 40,711 in the Parent company and R$ 5,165 in the subsidiary BR Metals) classified as probable success, and R$ 150,457 (R$ 94,715 in the Parent company

and R$ 55,742 in the subsidiary BR Metals) classified as possible success. Based on the opinion of its legal advisors, the Company offset said credits against tax liabilities, and upon the offsetting, the liabilities were considered as being suspended during the judgment of said credits. In December 2012, , contingent assets amounting to R$ 45,876 in the Consolidated and R$ 40,711 in the Parent Company, were recognized and reduced the balance of fiscal and labor obligations, recorded with a corresponding entry of income in “other operating revenue” amounting to R$45,876 in the Consolidated, and in “other operating income” and “equity in net income (loss) of subsidiary amounting to R$ 40,711 and R$5,165 respectively at the Parent Company.

(b) REFIS IV - Fiscal Recovery Program

The Company and its subsidiaries opted to divide into up to 180 installments their federal tax debts that became due up to November 30, 2008 - including those from Refis, Paex and Ordinary Installments - by joining the Tax Recovery Program (REFIS) established by Law no. 11,941/09, of May 27, 2009. Installment payment was approved by the government and amounts are indexed by the SELIC rate.

	Consolidated	Parent company
Balance at December 31, 2012	162,317	156,737
Number of installments outstanding	145	145

Under the applicable legislation, the Company is required to comply with the monthly payments of the installment agreement under the program, as this is an essential condition to the maintenance of the installment payment program. Non-compliance with this obligation will result in the cancellation of the benefits granted and in the payment of debts in the original amount, with legal surcharges up to the date of the exclusion.

(c) PPI -Installment Payment Incentive Program

The Company opted for the installment payment of its ICMS debts, by opting for the Installment Payment Incentive Program - PPI, introduced by Decree No. 51,960, of July 4, 2007, amended by Decree No. 52,424, of November 29, 2007, under the terms authorized by the ICMS Agreement No. 51, of April 18, 2007, whose validity was extended by ICMS Agreement No. 114, of September 28, 2007, of the São Paulo State Government. Amounts are adjusted by SEFAZ index (State Finance Department index rate).

	Consolidated	Parent company
Balance at December 31, 2012	7,160	7,160
Number of installments outstanding	57	57

18 Advances from clients

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Third parties	1,735	945	803	740
Related parties	-	4	-	-
	1,735	949	803	740

19 Investment fund in credit rights (Receivables fund) - FIDC Atlanta

The Company recognized a liability for the balance of trade accounts receivable assigned to Fundo de Investimento em Direitos Creditórios - Atlanta (“FIDC Atlanta in the amount of R$ 12,100 (R$ 10,711 in 2011) in the Consolidated and R$ 12,100 (R$ 8,312 in 2011) in the Parent company’s financial statements.

20 Employee benefits

The Company and its subsidiaries do not have defined contribution plans or defined benefit plans.

The Company and its subsidiaries only grant short-term benefits to their employees, which are measured on a non-discounted basis and reported as expenses as the related service is rendered.

A liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

21 Provisions

		Consolidated		Parent company	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Provision for contingencies	**(a)**	12,120	13,489	6,565	8,096
Judicial deposits		(2,012)	(3,044)	(933)	(2,023)
Provision for financial guarantees	**(b)**	554	553	372	372
		10,662	10,998	6,004	6,445

a. Provision for contingencies

The Company is a party in several judicial and administrative proceedings. Provisions are recognized for all contingencies regarding judicial proceedings representing likely losses and assessed with a certain degree of assurance. The determination of loss probability includes the assessment of available evidence, law hierarchy, available case law, the most recent decisions in courts and its relevance to the legal system, and the assessment by legal advisors. The balance of provision for contingencies is classified as non-current, less the respective judicial deposits.

The Company and its subsidiaries are a party in other discussions, in the amounts mentioned below, evaluated by their legal advisors as having a possible or remote chance of loss, for which reason their Management did not form provision in their financial statements.

Movements of provision for contingencies for the period ended December 31, 2012 are stated in the chart below:

	Consolidated			
Provision for contingencies	**Tax**	**Civil**	**Labor**	**Total**
Balance at December 31, 2011	175	2,453	10,861	13,489
Additions	526	-	4,945	5,471
Reversal of provision	(172)	(2)	(931)	(1,105)
Payments	(21)	-	(1,999)	(2,020)
Transfer to labor agreements	-	-	(3,715)	(3,715)
Balance at December 31, 2012	508	2,451	9,161	12,120
Contingencies with possible risk of loss				
December 31, 2011	122,730	1,488	15,704	139,922
December 31, 2012	145,876	5,282	25,333	176,491

	Parent company			
Provision for contingencies	**Tax**	**Civil**	**Labor**	**Total**
Balance at December 31, 2011	-	595	7,501	8,096
Additions	71	-	3,954	4,025
Reversal of provision	4	-	(829)	(825)
Payments	-	-	(1,016)	(1,016)
Transfer to labor agreements	-	-	(3,715)	(3,715)
Balance at December 31, 2012	75	595	5,895	6,565
Contingencies with possible risk of loss				
December 31, 2011	80,578	-	1,669	82,247
December 31, 2012	94,715	-	12,612	107,327

Changes in December 2012 and 2011 in tax proceedings classified as possible risk are primarily related to proceedings with the Internal Revenue Service. The Company's management believes that the outcome of lawsuits in progress will not result in disbursements in amounts exceeding the amounts accrued.

b. Provision for financial guarantees

The Company and its subsidiaries are guarantors of some loan and financing contracts, leases and other financial transactions entered into by related parties (subsidiaries of Sifco Metals with financial institutions). These obligations mature from 2012 to 2014, for an accumulated amount of R$ 1,225 as of December 31, 2012 (R$ 49,988 as of December 31, 2011).

The Company recognized provisions for financial guarantees in its non-current liabilities. The amount of provisions for guarantees provided by the Company in collateral signatures and pledged assets totaled, as of December 31, 2012, R$ 554 (R$ 553 in December 2011).

22 Deferred revenue

Partnership with Dana
On February 1, 2011, Sifco and Dana Indústrias Ltda. (Dana), an indirect subsidiary of Dana Holding Corporation, entered into a contract to establish a strategic alliance which includes an exclusive supply contract, contracts for the sale of equipment to Dana, and contracts for the rendering of services and a loan.

The supply contract is effective for 10 years (until December 31, 2020), with possible extension for an additional period of 5 years, and establishes that Sifco is responsible for the manufacturing of forged and machined products such as wheel and linking girders, sleeves and arms, and it will supply them exclusively to Dana, except for sales to customers abroad and to customers with existing contracts (which may not be extended). The contract provides that Dana is responsible for the trading and final assembling of these products.

As a result of the exclusive supply agreement, the Company received an advance of R$ 145,429, which is being recognized as revenue over 10 years (contract term). As of December 31, 2012, the deferred revenue balance of R$ 116,343 (R$ 131,257 in December 2011) is recorded under current liabilities in the amount of R$13,331 (R$ 13,600 in 2011), and in non-current liabilities in the amount of R$ 103,012 (R$ 117,657 in 2011).

The supply contract establishes adjustments to sales prices so that Dana receives two thirds (2/3) and Sifco receives one third (1/3) of product final margin.

On February 1, 2011, Sifco also received a loan in the amount of R$ 96,952, payable in a single installment on December 31, 2020 and bearing interest of 5.5% p.a., less IOF on transaction and subject to covenants. On February 1, 2011, Sifco transferred this debt to the related party Brascom, with the consent of Dana, becoming the guarantor. The transfer is recognized as a reduction in current account balances receivable from Grupo Brasil and Brascom. Sifco and Dana entered into an agreement for the pledge of Sifco assets in favor of Dana with estimated market value of R$ 48 million to guarantee the loan of R$ 96,952 transferred to the related party.

23 Related parties

The Company's parent company is G Brasil Participações S.A. (G Brasil). In October 2012, following the corporate restructuring mentioned in Note 1, G Brasil was sold. Thus, the main shareholder of Sifco became Sifco SA Metals Paticipações S.A. (Sifco Metals).

Sifco Metals business purpose is to hold interests as a shareholder or partner in other companies. Its direct and indirect subsidiaries are: Sifco, Sifco Intercontinental, Westport, Tubrasil Sifco, SF, Tubrasil Sifco Campinas, Sifco Capital Luxembourg and BR Metals.

The shareholders (individuals) of Sifco Metals also control Brascom Participações S.A. ("Brascom") and Alujet Industrial e Comercial Ltda. Alujet Brascom is engaged in the holding of interest in and management of companies which, in turn, operate mainly in plastic sector, among others. Its direct and indirect subsidiaries are: Vulcalux Nederland B.V. ("Vulcalux"), G Brasil Logística Ltda. ("GB Logística"), Tubrasil Empreendimentos e Participações ("Tubrasil"), São Judas, Brascom Export and, up to May 2012, Vulcan Material Plásticos Ltda. ("Vulcan").

As CPC 05 - Disclosure on Related Parties were considered as related parties to the Company: controlling shareholders, subsidiaries and affiliates, entities under common control and key management personnel. Entities in which the controlling shareholders participate in the respective boards of directors, even when control is not exercised, were also considered related parties.
The main balances of assets and liabilities on December 31, 2012 and 2011, as well as the transactions that influenced results of operations, in connection with related party transactions, result mainly from transactions between the direct and indirect subsidiaries, key management personnel, and transactions with companies directly or indirectly related to the controlling shareholder.

We present below the nature of the main transactions carried out between the Company and related parties:

- Amounts recognized in current assets refer to sales and advances for acquisition of products;

- Noncurrent assets comprise the balance of the current account receivable from related parties;

- The balances of current account payables and suppliers are recognized as current liabilities;

- Sales revenues of products and services to indirect subsidiary Westport resulting from the sale of materials;

- Financial income or expenses arising from balances of current accounts with related parties;

- Assuming debts: Sifco and BR Metals have suppliers and clients in common. On January 18, 2012, Sifco and BR Metals, with the consent of the suppliers of Sifco, signed an instrument for assumption of debt, in which BR Metals assumed the balances of accounts payable of parent company Sifco to suppliers, in the amount of R$ 12,950.

  In accordance with the debt assumption instrument, the amounts payable to these suppliers will be offset with the balances of accounts receivable that BR Metals will recognize with the sales to the same companies, and interests will be accrued on the amounts payable (interest rate of 2.35% per month), for the period between the maturity date of the amounts payable and their offset with trade notes receivable.

  In 2012, the subsidiary BR Metals offset accounts receivable balances in the amount of R$ 12,148 against liabilities assumed parent company Sifco.

Conditions of transactions with main related parties

The Company, its subsidiaries and the parent company Sifco Metals, maintain a "single cash", through which they conduct daily financial transactions according to the working capital needs of each company.

The balances resulting from the current accounts among the subsidiaries of Sifco Metals are subject to interest equivalent to the CDI rate (6.90% p.a. on December 31, 2012). The other financial transactions with affiliates, which are not subsidiaries of Sifco Metals, are subject to interest equivalent to CDI plus 0.5% per month (13.07% p.a. on December 31, 2012).

As mentioned in note 21.b., the Company figures as guarantor of some loan and financing agreements, leases, and other financial transactions entered into by related parties (subsidiaries of Brascom Group) with financial institutions.

The balances and the transactions with related parties are as follows:

	Consolidated		Parent company	
Current account receivable	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Sifco Intercontinental	-	-	-	-
MTP	-	41,499	-	41,499
BR Metals	-	-	111,891	4,124
KG	-	3,952	-	3,952
Alujet	1,469	1,081	1,383	1,002
Brasil Logística	2	3	2	3
G Brasil Participações	-	214,307	-	214,307
Brascom	15,601	30,754	46	-
Vulcan	-	1,424	-	-
Pomar Brasil Agroindustrial	4,959	-	4,959	-
Tubrasil Emp. Part. Comercio Ltda.	10,934	8,925	4,839	4,477
In non-current assets	32,965	301,945	123,120	269,364

	Consolidated		Parent company	
Current account payable	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Tubrasil Sifco	-	-	35,931	55,569
Westport	-	-	8,277	5,592
MTP	-	427	-	-
KG	-	2,299	-	-
G Brasil Participações	-	8,821	-	-
Vulcan	-	133	-	107
In the current liabilities	-	11,680	44,208	61,268

In May 2012, Brascom sold its stake in Vulcan. The current account balance receivable from Vulcan net of amounts payable will be settled by the purchaser of Vulcan.

In October 2012, G Brasil and its subsidiaries were sold, and the outstanding balance with Sifco will be settled as disclosed in note. 11.

Operating expenses

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Freight Services				
G Brasil Logística	10,371	23,712	2,275	11,324
	10,371	23,712	2,275	11,324

Financial income and expenses

	Consolidated		Parent company	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Interest expenses with related parties				
Tubrasil Sifco	-	-	(3,780)	(5,954)
Westport	-	(20)	-	(18)
MTP (*)	(36)	(85)	-	-
Tubrasil MTP - BP	-	(16)	-	-
Tubrasil MTP - MT	-	(2)	-	-
Alujet	-	(19)	-	(19)
BR Metals	-	-	(147)	-
KG	-	(122)	-	(31)
G Brasil Participações (*)	(934)	(117)	-	-
Sifco Metals	(14)	-	(14)	-
Vulcan	(4)	(614)	(4)	(614)
	(988)	(995)	(3,945)	(6,636)
Income (loss) from interest with related parties				
MTP (*)	2,605	4,267	2,605	4,267
BR Metals	-	14,637	2,701	15,541
KG (*)	592	506	278	506
Alujet	101	217	94	215
G Brasil Participações (*)	16,727	21,147	16,727	21,147
Brascom	4,701	1,609	-	384
Vulcan	150	58	-	-
Pomar Brasil	-	-	-	-
Tubrasil	736	757	296	418
	25,612	43,198	22,701	42,478

(*) Financial income and expenses recognized up to September 30, 2012.

Remuneration of key management personnel

The Company considers its statutory directors and board members as key management personnel. They received R$ 8,339 on December 31, 2012 (R$ 6,883 on December 31, 2011) as short-term benefits.

24 Real estate credit note

On July 1, 2010, Tubrasil Sifco signed a real estate credit certificate relating to the prepayment of receivables related to the rental agreement between the subsidiary Tubrasil Sifco and the Company. This amount is subject to financial charges tied to the amplified consumer price index - IPCA. Shares of Tubrasil Sifco were offered as collateral.

This contract has a grace period of twelve (12) months, with the first installment of the principal due on August 1, 2011. Next installments are due monthly with the contract expiring in July 2015. Of the total of R$ 33,131 as of December 31, 2012 (R$ 46,364 in December 2011), R$ 12,825 is recorded in current liabilities (R$ 13,233 in December 2011) and R$ 20,306 in non-current liabilities (R$ 33,131 in December 2011).

In 2012, Tubrasil Sifco entered into an addendum to the lease agreement temporarily suspending the receivables of the lease between the parent company and Tubrasil Sifco for a period of 1 year. The effect of lease expenses not recognized in income (loss) for the year is R$ 23,120 in the Parent company and null in the Consolidated zero.

25 Other liabilities

		Consolidated		Parent company	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Labor agreements	**(a)**	8,325	9,102	8,325	9,102
Accounts payable to DANA		-	8,818	-	8,818
Other accounts payable	**(b)**	11,086	6,477	5,622	3,307
Other deferred income		732	-	732	-
		20,143	24,397	14,679	21,227
Current		14,315	17,937	8,851	14,767
Non-current		5,828	6,460	5,828	6,460

a. Labor agreements include the following commitments

On April 23, 1993, Sindicato dos Metalúrgicos de Jundiaí and the Company signed a collective bargaining agreement for the final resolution of lawsuits that were being filed against the Company, applying for the configuration of continuous rotating shifts, claiming overtime effective since October 1988 and challenging the non-payment of additional risk compensation to employees that work with electricity.

On April 11, 1994, Sindicato dos Metalúrgicos de Jundiaí and the Company signed an agreement for the final resolution of a lawsuit claiming a salary difference referring to the Bresser Plan that was being filed against Sifco. Such amounts are paid to the employees that acquired the right, at the time when the agreements were signed, upon their dismissal, by contractual termination. This amount is classified in non-current liabilities.

b. The balance refers mainly to the provision for consumption of inputs used in production (energy and industrial gases).

26 Shareholders' equity

Capital and reserves

a. Capital

As of December 31, 2012, the Company's capital is R$ 108,850 (R$ 108,850 in December 2011).

	Quantity of common shares	Quantity of preferred shares	% of interest
Shareholder			
Sifco Metals Participações S.A.	53,850,000	49,999,900	99.99980%
Individuals	-	100	0.00020%
Total	53,850,000	50,000,000	100%

On October 1, 2011, by means of the private instrument for amendment of the articles of association, G Brasil transferred to Sifco all of its shares of BR Metals in the amount of R$ 3,850.

Preferred shares have the following privileges:

i. Priority in the receipt of dividends, which should be 10% higher than that allocated for common shares;

ii. Participation in equal conditions in capital increases, resulting from capitalization of reserves, retained earnings, or any other funds;

iii. Priority in the reimbursement of capital, in the event of any form of extinguishment of the Company, with a premium equal to that attributed to the common shares.

b. Treasury stock and average outstanding shares

As of December 31, 2009, the shareholders at the Extraordinary Shareholders' Meeting approved the acquisition, by the Company, of 48,480,000 of its own shares at the cost of R$ 0.745 per share, held by its parent company G Brasil Participações S.A, to be held in treasury, in the amount of R$ 36,360.

The average number of shares used to calculate the result and total shares at the end of the period is as follows:

	12/31/2012	**12/31/2011**
Average number of common shares	29,610,000	26,401,667
Average number of preferred shares	25,760,000	25,760,000
Average number of shares	55,370,000	52,161,667
Total common shares at the end of the year	29,610,000	29,610,000
Total preferred shares at the end of the year	25,760,000	25,760,000
Total shares at the end of the year	55,370,000	55,370,000

c. Total revaluation reserve

The Company, based on an appraisal report prepared by independent consultants, performed a revaluation of property, plant and equipment, which in 2006 amounted to R$ 99,181, which has recognized as a revaluation reserve, in shareholders' equity, net of tax effects recognized as non-current deferred tax liabilities.

d. Equity valuation adjustment

The Company recognizes in this account the increases or decreases the in deemed cost to asset and liability elements as a result of their valuation at fair value until they are not computed in income for the period on the accrual basis.

e. Cumulated translation adjustment

The exchange rate variation on foreign subsidiaries with a functional currency that differs from the Company's reporting currency is directly recognized in shareholders' equity under the caption "Accumulated translation adjustment." On December 31, 2012, rate variation generated

a positive effect in the amount of R$ 3,950 (positive effect of R$ 6,183 on December 31, 2011). This accumulated effect is reverted to income for the period as gain or loss only in the case of disposal or write-off of investment.

f. Dividends

The Bylaws of Sifco, according to paragraph 2 of article 23, establishes for calculation purposes of the dividends to be distributed to the shareholders, the net income adjusted as stipulated in article 202 of Law 6404/76, through the deduction of the sums earmarked, in that year, for the formation of the following reserves: a) legal reserve, which shall not be less than 5% (five percent) of net income and not exceed 20% (twenty percent) of the total paid up share capital; b) reserves for contingencies; c) unrealized profit reserves, as provided for in paragraph 3, and, as appropriate, d) tax incentive reserve. Paragraph 3 establishes the allocation of the formation of the unrealized profit reserve to the total earnings resulting: (i) from the positive result of interest held by the Company in its associated and subsidiary companies; and (ii) from the profit, gain or yield in operations whose financial realization term occurs after the end of the following fiscal year.

In 2012 and 2011, the Company did not distribute the dividends.

27 Income

	Consolidated		**Parent company**	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Sale of goods				
Domestic market	718,610	1,219,132	515,772	1,104,296
Foreign market	259,775	25,543	38,885	18,013
Sale of goods to related parties				
Westport	-	-	46,084	40,432
KG	4,798	10,043	-	-
Rendering of services				
Domestic market	6,194	42,255	6,109	11,677
Foreign market	55,251	30,500	-	-
Total gross revenue	1,044,628	1,327,473	606,850	1,174,418
Less:				
Sales tax	(148,626)	(248,997)	(114,295)	(237,870)
Refunds and rebates	(40,120)	(6,981)	(5,945)	(3,181)
Total income	855,882	1,071,495	486,610	933,367

28 Other operating income (expenses)

		Consolidated		Parent company	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Contingencies		(4,366)	(7,170)	(3,200)	(7,218)
Inclusions and reversals of REFIS IV		-	(7,840)	-	(8,557)
Termination fine (50% FGTS)	**(a)**	(12,999)	(5,851)	(10,417)	(4,535)
Profit sharing		(6,928)	(7,672)	(3,193)	(6,025)
Sale of fixed assets		(1,437)	2,220	(1,293)	1,118
Provision for inventory devaluation		(10,606)	-	-	-
Lawyers' fees		-	(2,595)	-	(2,595)
Other operating expenses		(9,796)	(6,452)	(2,419)	(3,662)
Credits from taxes offset	**(b)**	45,876	965	40,711	-
Write-off of tax credit		(829)	-	(829)	-
Provision for rebates		(998)	-	-	-
		(2,083)	(34,395)	19,360	(31,474)

(a) Recognition of the indemnification of the contractual fine in the termination of employment relating to 50% of the balance in the Government Severance Indemnity Fund for Employees, upon the discharge of the employee without just cause during.

(b) As disclosed in note. 17 (a.1.), this balance refers to the recognition of tax credits in the year 2012.

29 Financial income and expenses

	Consolidated		Parent company	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Financial expenses				
Interest on loans	(62,077)	(51,630)	(51,348)	(49,019)
Interest with real estate credit bill	(9,247)	(10,161)	-	-
Interest with current account payable	(988)	(995)	(3,945)	(6,636)
Interest with FIDC and discount of trade notes	(7,722)	(10,934)	(4,944)	(10,294)
Restatement of taxes in installments	(11,531)	(15,433)	(10,982)	(14,661)
Restatement of provision for taxes	(44,671)	(29,791)	(33,707)	(27,399)
Bank expenses	(8,560)	(4,486)	(6,930)	(4,183)
Change in FIDC subordinated quota	(4,373)	(1,082)	(4,373)	(1,082)
Other financial expenses (a)	(31,347)	(4,017)	(14,224)	(1,375)
	(180,516)	(128,529)	(130,453)	(114,649)
Financial income				
Revenues with current account payable	25,612	43,198	22,701	42,478
Income from interest-earning bank deposits	9,318	15,285	8,811	14,556
Monetary restatement - Eletrobrás	8,524	11,135	8,524	11,135
Restatement of court-ordered debt payments receivable	1,086	5,899	1,086	5,899
Change in FIDC subordinated quota	4,519	2,744	4,519	2,744
Revenue from REFIS IV	-	107	-	107
Other financial income - Except related parties	4,199	-	4,101	-
Other financial income	4,384	4,783	2,518	2,261
	57,642	83,151	52,260	79,180

(a) Refers substantially to financial discounts granted to clients.

30 Income tax and social contribution on income expenses

Effective tax rate reconciliation	Consolidated		Parent company	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Loss before income and social contribution taxes (parent company)	(74,797)	(511)	(77,238)	(2,690)
Official tax rate %	34%	34%	34%	34%
Income and social contribution taxes using the rate of the parent company	25,431	174	26,261	915
Permanent differences				
Nondeductible expenses	(1,814)	(355)	(1,372)	(355)
Other	278	516	(182)	-
Equity in net income of subsidiaries	-	(2,855)	(15,710)	(2,855)
Differences in the tax base due to the Deemed profit	(3,957)		-	-
Current tax of domestic and foreign subsidiaries and (different taxation regimes)	(990)	(1,586)	-	-
Temporary differences and tax losses not recognized for the year	(31,109)	-	(16,961)	-
Credits from taxes not taxed	15,598	-	13,842	-
Use of tax losses to reduce tax liabilities	-	3,740	-	4,108
	3,437	(366)	5,878	1,813
Current income and social contribution taxes	(976)	(1,586)	-	-
Deferred income and social contribution taxes	4,413	1,220	5,878	1,813
	3,437	(366)	5,878	1,813
Effective rate	(6%)	72%	(8%)	(67%)

31 Operating leases

	Consolidated		Parent company	
Operating leases	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Less than one year	1,185	3,082	20,657	23,120
Between one and five years	2,383	4,946	28,224	49,109
More than five years	1,833	-	-	-
	5,401	8,028	48,881	72,229

Westport, indirect subsidiary of Sifco, maintains an office and warehouse operating lease agreement. The agreement has a term from one to four years. As of December 31, 2012, the amount of R$ 5,172 (US$ 2,531) and R$ 3,429 (US$ 1,828) in December 2011 was recognized as expenses related to the operating lease agreement.

The Company has an operating lease agreement for its offices and industrial plants with subsidiaries Tubrasil Sifco. The term of the agreement is six years.

32 Financial instruments

Operations with financial instruments are fully recognized in the accounting books and comprise cash and cash equivalents, other investments, trade accounts receivable, derivative financial instruments, receivables from related parties, loans and financing, suppliers, real estate credit note, current accounts with related parties and investment funds in credit rights.

The management of these instruments is done through operating strategies, aimed at ensuring liquidity, profitability and security. The risk policy procedures include the permanent monitoring of the contracted rates versus those in force in the market.

The Company and its subsidiaries map the main risks and their related controls, defining impact and probability criteria and monitoring the risks regarded as strategic and the actions to mitigate them. The Company monitors its risks by means of an organizational multidisciplinary structure, which assigns the responsibility for risk management to all areas, and assesses whether the actions are being taken in a manner which complies with the policies adopted.

The activities of the Company and its subsidiaries expose them to various financial risks: credit risk, liquidity risk, exchange risk, interest rate risk, and market risk (including the risk of steel and pig iron price), as explained below.

a. Credit risk

This risk arises from the possibility that the Company and its subsidiaries may not receive the amounts resulting from sales which are not collateralized in general, or from credits with financial institutions. To minimize this risk, the sales policies of the Company are governed by credit policies determined by Management, and are aimed at minimizing eventual problems resulting from default by its clients. This objective is achieved by Management through the throughout selection of a customer portfolio considering payment capacity (credit analysis) and the setting of credit limits and short maturity for bills. The estimated losses with these customers are fully provisioned.

Exposure to credit risk

The Company's maximum exposure to credit risk for loans and receivables on the reporting date by type of counterparty was as follows:

		Consolidated		**Parent company**	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Third parties	**i.**				
Clients - domestic market		61,306	117,817	38,318	99,575
Clients - foreign market		53,407	73,340	2,051	6,485
Other interest earning bank deposits		23,758	49,264	21,466	40,623
Amounts receivable		237,781	-	232,090	-
Other assets		124,351	97,434	108,944	85,958
		500,603	337,855	402,869	232,641
Related parties	**ii.**				
Trade accounts receivable		2,192	11,451	4,645	6,246
Dividends receivable		-	-	1,993	5
Current account receivable		32,965	301,945	123,120	269,364
		35,157	313,396	129,758	275,615
		535,760	651,251	532,627	508,256

i. Third parties

As of December 31, 2012, Sifco (parent company) has two major customers (four major customers in 2011), which account for approximately 59% of gross revenue (65% in 2011). In the consolidated, Sifco and its subsidiaries have two main customers, whose share in gross

revenues is 45% of such revenues. As for amounts receivables, see breakdown of balance and other information in Note 11.

The maturity of loans and receivables granted to third parties on the reporting date was:

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Third parties				
Without maturity (*)	147,863	146,698	130,410	126,586
Balances falling due (**)	335,324	171,805	267,611	96,010
Subtotal	483,187	318,503	398,021	222,596
Balances overdue:				
From 1 to 30 days	6,931	11,074	3,454	5,969
From 31 to 60 days	1,109	2,483	78	1,458
From 61 to 90 days	1,223	1,868	92	522
From 91–180 days	4,545	1,782	141	356
From 181 to 360 days	2,371	1,745	1,083	1,745
Over 361 days	1,237	430	-	-
Total overdue	17,416	19,382	4,848	10,050
Total	500,603	337,885	402,869	232,646
Allowance for doubtful accounts	(263)	(736)	-	-
Total	500,340	337,149	402,869	232,646

(*) Balances without maturity correspond mainly to other assets (see note 12).

(**) Balances falling due mainly include receivables, as disclosed in note 11.

Most of the delays in the receivables portfolio refer to amounts past-due up to 30 days. This is due to the characteristics of certain customers, large companies of the automotive industry, which make their payments irrespective of the maturity dates of their invoices, on a weekly and/or semi-monthly basis.

The Company and its subsidiaries, based on the history of default, recognized a provision for doubtful accounts, representing (0.05%) on December 31, 2012 (0.36% in December 2011) from the consolidated outstanding balance of receivables, to cover credit risk:

	Consolidated	
	12/31/2012	**12/31/2011**
Balance at January 1	(736)	(104)
Reversal (provision) for impairment	473	(632)
Balance at December 31	(263)	(736)

ii. *Related party transactions*

The maturity of loans and receivables granted to related parties on the date of the financial statements was:

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Related parties				
Without maturity	32,965	301,945	125,113	269,369
Balances falling due	2,173	11,451	1,076	6,246
Balances overdue	19	-	3,569	-
Total	35,157	313,396	129,758	275,615

The Company is studying a plan to realize the balance of receivables from related parties within the next five years.

b. Liquidity risk

Prudent liquidity risk management implies in maintaining cash, enough marketable securities, cash fund raising availability by means of bank credit facilities and capacity to settle market positions. In view of the dynamic nature of its businesses, the Company has flexibility in fundraising through the maintenance of banking credit line facilities.

Management monitors the liquidity level of the Company and its subsidiaries, considering the expected cash flows and existing cash and cash equivalents. Furthermore, the liquidity management policy of the Company and its subsidiaries involves projections of cash flows and a reflection on the net assets required to reach those projections, the monitoring of the liquidity ratios of the statement of financial position in relation to internal and external regulatory requirements and the maintenance of debt financing plans.

Restrictive covenants on borrowings:

Certain loan agreements are subject to restrictive clauses and include clauses requiring that the Company and its subsidiaries maintain certain financial ratios within pre-established parameters. The Company monitors compliance with these financial indices throughout the year.

We present below the contractual maturities of financial liabilities excluding the impact of the negotiation agreements of currencies by the net position.

Consolidated	**Book value**	**6 months or less**	**6–12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Without maturity**
Non-derivative financial liabilities							
Loans and financing	511,016	171,645	92,272	60,308	174,221	12,570	-
Real estate credit note	33,131	6,412	6,413	12,825	7,481	-	-
Suppliers	63,459	63,459	-	-	-	-	-
Other liabilities	20,143	12,884	1,431	459	42		5,327
Investment funds in credit rights	12,100	12,100	-	-	-	-	-
	639,849	266,500	100,116	73,592	181,744	12,570	5,327
Derivative financial liabilities							
Interest rate swap	46	46	-	-	-	-	-
Exchange rate swap	90	-	-	-	90	-	-
	136	46	-	-	90	-	-
	639,985	266,546	100,116	73,592	181,834	12,570	5,327

Parent company	Book value	6 months or less	6–12 months	1 to 2 years	2 to 5 years	Over 5 years	Without maturity
Non-derivative financial liabilities							
Loans and financing	389,540	109,011	58,450	49,021	165,693	7,365	-
Current account payable from related parties	44,208	-	-	-	-	-	44,208
Suppliers	47,895	47,895	-	-	-	-	-
Other liabilities	14,679	7,420	1,431	459	42		5,327
Investment funds in credit rights	12,100	12,100	-	-	-	-	-
	508,422	176,426	59,881	49,480	165,735	7,365	49,535
Derivative financial liabilities							
Interest rate swap	-	-	-	-	-	-	-
Exchange rate swap	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	508,422	176,426	59,881	49,480	165,735	7,365	49,535

No cash flows are expected to occur significantly sooner or in amounts significantly different from the ones included in the analysis above.

c. Exchange rate risk

The results of the Company and its subsidiaries are susceptible to significant variations due to the effects of the volatility of foreign exchange rates on its liabilities in foreign currencies, specially the U.S. Dollar, arising from funding in the domestic market and sale of products denominated in foreign currency.

As a strategy to prevent and reduce the effects of fluctuations in exchange rate on results, Management has adopted a policy of avoiding mismatches between assets and liabilities indexed to foreign currencies, taking into consideration that the settlement of the contracts mentioned above will be carried out through exports of products, representing transactions with a natural hedge, and, therefore, the exchange rate changes will have temporary effects on the results, with no equivalent effect on the cash flows of the Company and its subsidiaries.

The closing exchange rates as of the reporting date were as follows:

	Spot rate	
	2012	**2011**
USD	2.0435	1.8758

Exposure to foreign currency

The Company's exposure to foreign currency risk on the reporting date, in thousands of U.S. dollars, based on nominal values, was as follows:

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Cash and cash equivalents	446	4,220	436	4,210
Other interest earning bank deposits	4,104	13,736	4,104	13,736
Trade accounts receivable	18,041	33,205	3,089	6,787
Other receivables	659	1,367	659	605
Loans and financing	(101,663)	(110,368)	(91,028)	(91,873)
Suppliers	(1,318)	(3,283)	(1,318)	(3,008)
Current account payable to related parties	(4,050)	-	(4,050)	(2,981)

	Consolidated		Parent company	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Total account amount	(83,781)	(61,123)	(88,108)	(72,524)
Swap (*notional*)	31,154	58,541	30,000	37,370
Net exposure	(52,627)	(2,582)	(58,108)	(35,154)

Foreign currency exposure sensitivity analysis

A devaluation of the Real, as shown below, against the US dollar on December 31, 2012 would have reduced the shareholders' equity and income according to the following amounts. This analysis is based on the foreign currency exchange rate variation that the Company considered reasonably possible at the end of the reporting period. The analysis considers that all the remaining variables, especially interest rates, are kept constant.

	Consolidated	Parent company
Sensitivity analysis	**12/31/2012**	**12/31/2012**
Dollar - Inception	2.0435	2.0435
BMF)	2.1588	2.1588
US dollar variation for sensitivity analysis	0.1153	0.1153
Sensitivity (net exposure x US dollar variation)	(6,066)	(6,698)

An appreciation of the Real against the US dollar on December 31, 2012 would have the same effect, but with the opposite result, considering that all the other variables will not change.

d. Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk on their loans and financing. To minimize possible impacts originating from these fluctuations, the Company and its subsidiaries have adopted a diversification policy, alternating the contracting of their debts, or contracting swaps, from variable to fixed rates.

The Company is mainly exposed to CDI and UMBNDES interest rate variations (basket of currencies, “Monetary Unit of BNDES”) in loans and financing.

The Company maintains derivative financial instruments (Interest rate swap contract) used for hedging purposes, aimed at the swap of the variable interest rates for export prepayment contracts (LIBOR plus a spread), by fixed interest rates.

The realized and unrealized gains or losses resulting from derivative financial instruments are recognized in profit or loss as "Gains and losses with derivative instruments", and are recognized by changes in the fair value of these instruments.

On the reporting dates, the interest profile of the Company's financial instruments was as follows:

	Consolidated		Parent company	
Profile of financial instruments	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Fixed rate instruments				
Financial assets				
Other receivables	76,724	68,200	76,724	68,200
Financial liabilities				
Loans and financing	363,250	233,272	255,265	161,751
Other liabilities	14,679	21,227	14,679	21,227
Investment funds in credit rights	12,100	10,711	12,100	8,312
Variable rate instruments				
Financial assets				
Interest earnings bank deposits	118,824	72,000	64,721	66,728
Other interest earning bank deposits	23,758	58,718	21,466	50,077
Amounts receivable	237,781	-	232,090	-
Current account receivable from related parties	32,965	301,945	123,120	269,364
Financial liabilities				
Loans and financing	147,766	207,757	134,275	165,418
Current account payable from related parties	-	11,650	44,208	61,628
Real estate credit note	33,131	46,364	-	-
Other liabilities	5,464	2,819	-	-
Derivative financial instruments				
Swap *(notional)*	62,034	51,618	60,000	44,695

Fair value sensitivity analysis for fixed rate instruments

The Company does not measure any fixed rate financial assets or liabilities at fair value through profit or loss and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in the interest rates on the reporting date would not change income (loss).

Cash flow sensitivity analysis for variable rate instruments

Sensitivity analysis took into consideration financial liabilities adjusted by a variable rate. The assumptions used on increase (decrease) of 1% or 100 basis points in CDI, TJLP, LIBOR and SELIC rates, as follows:

	Consolidated		Parent company	
Sensitivity of cash flow (net)	**Income (loss)**	**Shareholders' equity**	**Income (loss)**	**Shareholders' equity**
Variable rate instruments	2,270	2,270	2,629	2,629
Interest rate swap	620	620	600	600
Increase (decrease)	2,890	2,890	3,229	3,229

The analysis considers that all the remaining variables, especially regarding foreign currency, are kept constant. An opposite change in the same rates on the reporting date would have an equal but opposite result in shareholders' equity and income (loss) for the period.

e. Fair value

Fair value vs. book value

The fair values of the financial assets and liabilities, together with the book values, are as follows:

	Consolidated			
	12/31/2012		12/31/2011	
	Book value	Fair value	Book value	Fair value
Assets measured by the amortized cost				
Cash and cash equivalents	129,993	129,993	117,361	117,361
Other interest earning bank deposits	23,758	23,758	49,264	49,264
Trade accounts receivable	116,642	116,642	201,872	201,872
Current account receivable	32,965	32,965	301,945	301,945
Amounts receivable	237,781	237,781	-	-
Other assets	124,351	124,351	97,434	97,434
	665,490	665,490	767,876	767,876
Liabilities measured at fair value				
Interest rate swap used for coverage	46	46	1,518	1,518
Exchange rate swap used for coverage	90	90	767	767
	136	136	2,285	2,285
Liabilities measured by the amortized cost				
Loans and financing	511,016	494,258	441,029	419,388
Current account payable	-	-	11,650	11,650
Real estate credit note	33,131	33,131	46,364	46,364
Suppliers	63,459	63,459	107,782	107,782
Other liabilities	20,143	20,143	24,397	24,397
Dividends payable	2	2	2	2
Investment funds in credit rights	12,100	12,100	10,711	10,711
	639,851	623,093	641,935	620,294

	Parent company			
	12/31/2012		12/31/2011	
	Book value	Fair value	Book value	Fair value
Assets measured by the amortized cost				
Cash and cash equivalents	71,997	71,997	99,598	99,598
Other interest earning bank deposits	21,466	21,466	40,623	40,623
Trade accounts receivable	45,014	45,014	112,306	112,306
Current account receivable	123,120	123,120	269,364	269,364
Dividends receivable	1,993	1,993	5	5
Amounts receivable	232,090	232,090	-	-
Other assets	108,944	108,944	85,958	85,958
	604,624	604,624	607,854	607,854
Liabilities measured at fair value				
Interest rate swap used for coverage	-	-	1,089	1,089
Exchange rate swap used for coverage	-	-	-	-
	-	-	-	-
Liabilities measured by the amortized cost				
Loans and financing	389,540	374,033	327,168	320,158

	Parent company			
	12/31/2012		12/31/2011	
	Book value	Fair value	Book value	Fair value
Current account payable	44,208	44,208	61,268	61,268
Real estate credit note	-	-	-	-
Suppliers	47,895	47,895	82,929	82,929
Other liabilities	14,679	14,679	21,227	21,227
Investment funds in credit rights	12,100	12,100	8,312	8,312
	508,422	492,915	500,904	493,894

Fair value hierarchy
The different fair value hierarchy levels were defined as follows:

- **Level 1** - Prices quoted (not adjusted) in active markets for identical assets and liabilities;

- **Level 2** - Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

- **Level 3** - Assumptions, for assets or liabilities, which are not based on observable market data (non-observable inputs).

All financial instruments recorded at fair value were measured using level 2 appraisal method.

Interest rates used to determine the fair value
Interest rates used to discount estimated cash flows, when applicable, were based on the CDI yield curve disclosed by BM&F in on the date of the financial statements of December 31, 2012 and December 31, 2011.

f. Price risk of steel and pig iron price
This risk arises from the volatility in the prices of the raw materials and inputs used in the production processes of the Company and its subsidiaries. If a relevant variation occurs in the prices of inputs and raw materials, the Company and its subsidiaries might not be capable of transferring said increases to the prices of its products at the same rate of the cost increases, which could produce an impact on the profit margin. In order to prevent short-term fluctuations, the Company's and its subsidiaries' management continuously negotiate with steel plants and with pig iron plants. Steel purchases are concentrated at two steel production plants.

Steel acquired for production of products to be sold in the foreign market has its price tied to the quotation of the U.S. Dollar, reducing foreign currency exposure of revenue and U.S. dollar denominated receivables. In relation to steel acquired for use in the domestic market, the price alterations equally affect the Company, its subsidiaries and their competitors, not resulting in any competitive advantage or disadvantage.

g. Capital management
The purpose of capital management of the Company and its subsidiaries (note 23 – Related parties) is to ensure an efficient capital ratio, aiming to support businesses and maximize value shareholders. As a result of loan and financing contracts, the Company is subject to restrictions regarding payment of dividends exceeding minimum mandatory dividends, as well as capital repayment and repurchase of own shares.

Westport Axle Corporation ("Westport"), indirect subsidiary of the Company in the United States, has restrictions regarding payment of dividends and loans payable to the parent company due to restrictive covenants in its loan and financing contracts.

33 Insurance coverage

The Company and its subsidiaries maintain an insurance policy that provides for the contracting of insurance for assets and responsibilities in relevant amounts. The adopted risk assumptions, in view of their nature, are not part of the scope of an audit of financial statements, and, therefore, were not reviewed by our independent auditors. On December 31, 2012, the insurance plans contracted were represented as shown below:

Coverage	**Maturity**	**Amount of coverage**
Civil Liability	1/1/2013	44,686
Loss of profit	5/25/2013	217,766
Fire, lightning, explosion, windstorms and electrical damages	5/25/2013	493,384
		755,836

34 Subsequent events

In January and February, the Company contracted loans and financing in the amount of R$ 57,600 at a rate of 1.40% per month, maturing in 360 days.

* * *

Antônio Campello Haddad Filho
Executive Vice President

José Roberto Fiorante Bragato
Administrative Director

Dagoberto Uszko
Controllership Director

Carlos Renato Machado dos Santos
Accountant – CRC – 1SP188165/O-2